REPORT OF THE PRIORITIES COMMITTEE

TO THE PRESIDENT

Recommendations Concerning the Operating Budget

for 2016–2017

March 25, 2016
March 25, 2016

President Christopher L. Eisgruber
One Nassau Hall
Princeton University
Princeton, NJ 08544

Dear President Eisgruber,

I am pleased to enclose the Priorities Committee report on the University’s operating budget and recommendations for the fiscal year 2016-17 (FY17). Princeton continues to be in a solid financial position with steady long-term endowment growth, sufficient liquidity, a strong credit rating, and loyal donor support. Lower than usual general consumer inflation persists, particularly with regard to energy costs, although some forecasts indicate an uptick in inflation going forward.

While the University is on solid financial footing, we must continue to be as efficient with our resources as possible given the number of important investments on the horizon. The needs include significant resources to implement the recommendations coming out of our strategic planning process, additional financial aid resources to ensure that we remain accessible to all students, resources to recruit and retain our world class faculty, and investments in research funding and infrastructure. Decisions about where and how to invest will require serious tradeoffs in prioritizing the many calls on our resources for both operating and capital purposes.

The Committee’s budget recommendations fall into three major categories: financial aid, fee package (tuition, room, and board), and employee salary pools. The Committee also hears from SUMAR (“Strengthening University Management and Resources”), an administrative group devoted to identifying and implementing cost-saving strategies around the University.

The Priorities Committee was proud to endorse an increase in the Financial Aid budget that maintains Princeton’s commitment to meeting full financial need for all students who are admitted, regardless of their family’s ability to pay. If the Committee’s recommendations are accepted, Princeton’s scholarship budget is estimated to increase by 6.6%, bringing it from $138.2 million to $147.4 million in FY17.
The Committee deliberated on the fee package increase in consultation with members of the Board of Trustees Committee on Finance. Together they reviewed the principles that have guided discussion and deliberation in recent years. On the basis of these guidelines, the total fee package recommendation recognizes the need to sustain Princeton’s excellence and maintains the University as the Ivy League institution with the lowest student charges for the 17th year in a row. The 60% of undergraduate students on financial aid will be protected from the effects of this change. In addition, the Committee approved a one-time $500 transition allowance to support incoming first-year students whose families are deemed unable to make any contribution to their education.

After reviewing data on salary markets presented by the Dean of the Faculty and the Vice President for Human Resources, the Committee recommended salary pools tailored to an environment of continuing low inflation but intense competition for top talent. The Committee also reviewed a new administrative budget process aimed at empowering and enabling greater resource allocation by Cabinet Officers to encourage multi-year planning, allow for increased flexibility and nimbleness, and clarify accountability and responsibility for budgets.

I am very grateful to the faculty, student, and staff members of the Priorities Committee. They faithfully carried out their responsibilities on behalf of the University community with good judgment, keen insight, remarkable collegiality, and good cheer. They have my sincere thanks. I also want to convey gratitude to several people who supported the Committee in its work including Steven Gill, Aly Kassam-Remtulla, Richard Myers, and Ellen Riscoe. Each of them brings a valuable set of skills and devotion to their role in this important process.

Sincerely,

David S. Lee, Provost
Chair, Priorities Committee
REPORT OF THE PRIORITIES COMMITTEE

TO THE PRESIDENT

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for 2016 – 2017

March 25, 2016
THE COMMITTEE

David S. Lee, Provost (chair)
Carolyn Ainslie, Vice President for Finance and Treasurer
Deborah Prentice, Dean of the Faculty
Treby Williams, Executive Vice President
Faisal Ahmed, Assistant Professor of Politics
Jalisha Braxton ’16
Daniel Choi *GS
Ross Donovan ’16
Maria Garlock, Associate Professor of Civil and Environmental Engineering
Judith Hamera, Professor of Dance, Peter B. Lewis Center for the Arts
Colette Johnson *GS
Linhchi Nguyen ’18
Alexander Ploss, Assistant Professor of Molecular Biology
Rodney Priestley, Associate Professor of Chemical & Biological Engineering
Sal Rosario, Senior IT Project Consultant, Office of Information Technology
Adrian Tasistro-Hart ’17
Nick Turk-Browne, Associate Professor of Psychology

MEETING WITH THE COMMITTEE

Steven Gill, Budget Director and Associate Provost for Finance
Richard S. Myers, Vice Provost for Academic and Budget Planning
Aly Kassam-Remtulla, Assistant Provost for Academic Planning and Institutional Diversity, Office of the Provost (secretary)
TABLE OF CONTENTS

I. Introduction 1

II. Budgetary Background 2

III. Recommendations 3

IV. The Outlook for the Future 11

Appendix

A. Summary Budget Tables: Income and Expense
I. Introduction

The Priorities Committee, established in 1969 as a charter committee of the Council of the Princeton University Community (CPUC), is a deliberative body that recommends changes to the University’s operating budget to the President and Board of Trustees. The Provost chairs the Committee, whose members include tenured and non-tenured faculty members, graduate and undergraduate students, and staff.

The Priorities Committee annually makes recommendations about rates of change for several variables important to the University community. These variables include the undergraduate fee package (composed of tuition, room, and board), undergraduate financial aid, graduate stipends, faculty and staff salaries, and rental rates for University housing. Each year since 2010, the Committee has heard from SUMAR (the committee on Strengthening University Management and Resources) about initiatives aimed at cutting costs, improving efficiency, and enhancing management. The Priorities Committee also recommends allocations from the operating budget to respond to programmatic requests presented to it by Cabinet Officers.

The Committee convenes from October to March. 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 outlining their highest priority funding needs for investments that impact faculty, staff, and students; deliberative meetings to evaluate requests in the context of the full range of competing claims on the University’s available resources; and a final set of meetings to determine the Committee’s recommendations and to produce this report. Each November the Committee holds an open meeting as part of the CPUC agenda to hear from interested members of the University community who wish to comment on priorities for future budgeting.

Later that month, the Committee meets with the Finance Committee of the Board of Trustees to share the requests it has received and to review early thoughts about the fee package and salary pools. In late January, the Committee discusses its proposed recommendations with the Finance Committee. By March the Committee finalizes its recommendations and submits them to the President for his approval and transmission to the Board in April. The recommendations for the
2016–2017 academic year (known as fiscal year 2017 or FY2017) operating budget are discussed in detail below. Appendix A details the projected operating budget for FY17.

II. Budgetary Background

Princeton continues to be in a solid financial position with steady long-term endowment growth, sufficient liquidity, a strong credit rating, and loyal donor support. Lower than usual general consumer inflation persists, particularly with regard to energy costs, although some forecasts indicate an uptick in inflation going forward.\textsuperscript{1} The endowment spend rate rests at the lower end of our policy band. Still, several ongoing budgetary considerations warrant our attention:

- We will require significant resources to implement the recommendations coming out of our strategic planning process and other planning efforts that have taken place in recent years. Decisions about where and how to invest will require serious tradeoffs in prioritizing the many calls on our resources for both operating and capital purposes.

- Our commitment to expanding socioeconomic diversity in the undergraduate population will generate additional financial aid expenditures over the long term. These expenditures will grow even more if the expanded student body now being contemplated yields a higher percentage of students on aid.

- Competition for top faculty members remains fierce, magnifying the pressure on recruitment and retention packages.

- While Princeton’s sponsored research trends have remained strong, federal support for research remains under pressure, suggesting vulnerability to declining support of research awards and infrastructure in the future.

\textsuperscript{1} Congressional Budget Office, \textit{An Update to the Budget and Economic Outlook 2015 to 2025}
III. Recommendations

A. Undergraduate Financial Aid and Graduate Stipends

The Priorities Committee and the Committee on Undergraduate Admissions and Financial Aid (CUAFA) cooperate to ensure that Princeton’s financial aid program continues to meet the full need of all students. As has been the case for many years now, CUAFA presented the Priorities Committee with a “stay-even” financial aid budget designed to ensure that financial aid packages keep up with the increasing cost of attendance. This “stay-even” policy means, among other things, that we increase our financial aid packages to protect aid recipients from the effects of any increase in the fee package. CUAFA also provides the Committee with estimates of any anticipated changes to the percentage of the class likely to need aid. This is not a number within the control of CUAFA or the Committee; it moves up and down depending on the demographics of each class. For FY17, CUAFA projects that the Class of 2020 will have 60.6% of students on aid, which is typical for recent entering classes, and that the overall percentage of students on aid across all four years will increase slightly from 59.0% to 59.5%.

The Priorities Committee endorsed a $9.2 million (6.6%) increase in the undergraduate scholarship budget, raising it from $138.2 million to $147.4 million for FY17. This reflects the assumptions outlined above, the recommended addition of a move-in allowance as discussed in the following paragraph, as well as the recommended fee package increase (detailed on page 6).

In addition to the “stay even” budget, CUAFA made two programmatic requests. The first is a one-time transition allowance to support low-income first-year students (those whose families are deemed unable to make any contribution to their education). These students would receive $500 when they arrive on campus to support move-in costs, including room furnishings and other incidentals associated with starting college. These funds would also provide cash flow for students before they start their campus jobs. Yale and Harvard offer similar support for their lowest income students. The funds would be accompanied by advice about managing personal expenses throughout the school year. Committee members unanimously supported this request as a proactive effort by the University to mitigate some of the challenges that low-income students face at Princeton.
The second request was to change the travel allowance for international students. Aid students from North America (United States, Canada, and Mexico) receive a travel allowance for two round-trip tickets home each year. Aid students from outside North America currently receive an allowance for one round-trip ticket and a winter break supplement (which provides them with funds to spend the winter holiday in the United States) each year. CUFAA proposed adding enough support to convert the winter break allowance into a second annual round trip. While the Committee was sympathetic to the goal of this request, it recommended that this question be considered in the context of a planned comprehensive analysis of our financial aid program.

One of the University’s missions is to train graduate students who are the next generation of world-class scholars. The administration, accordingly, pays great attention to the adequacy of graduate stipends with two goals in mind: the stipends must be sufficient to attract the most talented students to Princeton and they must provide enough support so that those students can focus on finishing their degrees successfully in a timely manner. This year the Dean requested a stipend increase of 3%, which he felt was sufficient to achieve both of these goals. The Priorities Committee endorsed his request.

**B. Salary Pools**

Each year the Priorities Committee hears presentations from the Dean of the Faculty and the Vice President for Human Resources regarding the salary pools for faculty and staff. For the last few years, they have described an environment in which general inflation rates were low, but where the University continues to face significant competition for top talent.

On the faculty side, recruitment and retention are the most critical priorities in sustaining Princeton’s academic quality. We interact often and directly with the market as we recruit new faculty and fend off offers seeking to lure away our current faculty. Despite Princeton’s strong relative salary position, we continue to be vulnerable to poaching by other institutions—not surprising given the stature and visibility of our faculty. Average salary data show that we are in the “middle of the pack” in terms of growth trends over time. The Dean recommended, and the Committee endorsed, an aggregate salary pool the same size as that of the last three years.
On the staff side, the Committee endorsed the Vice President’s request for a salary pool consistent with FY16 and down slightly from FY14 and FY15. Our goal for staff salaries is to provide fair and equitable pay to all employees based on the skills, talents, and responsibilities associated with each position. For the last two years, we have allocated the pool in a manner that provides managers with increased flexibility to recognize different levels of performance and provide resources for departments to reward their highest performers. This has encouraged managers to distinguish among levels of performance, which has resulted in a broader distribution of individual salary increases compared to previous years. The Vice President proposed, and the Committee approved, a similar methodology this year.

C. Programmatic Increases

In FY16, the Provost launched a new budget process aimed at empowering and enabling expert-driven resource allocation in support of the University’s teaching and research mission. To do this, we shifted away from reviewing budget requests from Cabinet Officers on an ad hoc basis towards a more streamlined process in which requests from each unit are reviewed on a semi-annual basis. The goal was to encourage multi-year planning at the unit level, allow for increased flexibility and nimbleness, and clarify accountability and responsibility for budgets.

Starting last summer, most administrative units received a Provostial Allocation (PA)—an ongoing stream of funding—based on the unit’s existing level of operations and a modest margin for growth. The total allocation of $2.1M represents roughly 1% of discretionary base budgets in eligible units, though the allocation awarded to each unit was based on a number of criteria. Each Cabinet Officer was asked to use these unrestricted funds for their highest priorities and, if necessary, to support ordinary inflation in their core business expenses. Cabinet Officers had discretion to allocate these funds flexibly with supporting review from the Provost’s Office. To encourage multi-year planning, the Provost has committed to providing Cabinet Officers with additional base increases in the next two fiscal years.

If Cabinet Officers had needs that could not be fully absorbed by the PA, they were invited to submit requests to share the costs for additional items. The Provost provided cost-shares for a
handful of requests related to safety, security, compliance, risk mitigation, training, and other Presidential and Provostial initiatives.

The Executive Vice President and the Provost provided the Committee with an overview of the new budget process and shared how Cabinet Officers planned to invest the new funds made available to them. Examples of investments made possible by the PA include:

- Adding an infectious diseases physician in Health Services
- Expanding staffing for financial aid and undergraduate research
- Enhancing professional development staff and programming for graduate students
- Creating support for faculty developing large multi-unit federal grant proposals
- Launching a new program on financial management training for staff
- Hiring new staff in the Office of Information Technology both to support computational research and to continue to ensure that our technology applications, across campus and on-line, comply with the Americans with Disabilities Act
- Bolstering staff in the Office of Audit & Compliance
- Strengthening diversity and inclusion efforts in Human Resources

Beyond the changes that were instituted this summer and fall, the Provost’s Office is examining ways to provide units with further flexibility in resource allocation.

**D. Cost Savings and Management Initiatives**

The recession encouraged the University to develop central initiatives designed to identify and implement cost-saving measures. To sustain these efforts in the post-recession environment, the University created SUMAR with the charge to pursue improvements in efficiency and management. SUMAR typically submits a report to the Priorities Committee. In the five years since its inception, SUMAR has tracked more than 65 projects with potential recurring annual savings of approximately $17.5 million. While SUMAR had no requests for the Committee this year, the Executive Vice President provided the Committee with an update on its major priorities, which include multi-year projects on emergency preparedness; training to fully leverage the University’s new financial system; and the management of rising healthcare costs.
E. Fee Package and Rental Rates

The Committee deliberated over the undergraduate fee package at several of its sessions. Its conversation with the Finance Committee of the Board of Trustees in November further informed those discussions. The Committee reaffirmed Princeton’s commitment to these six principles:

1. The University should ensure that the education it offers is genuinely affordable for every admitted student. The University should monitor its financial aid program to verify that it continues to meet the full need of all students.

2. The University has a responsibility both to sustain excellence and to do so efficiently. It should not raise its fees simply because it has the market power to do so or because other universities are doing so.

3. The University should continue to ensure that a Princeton education is a good value for all of its students, including those students whose families receive no financial aid.

4. The University should maintain the current relationship of the total cost of education to tuition in the form of a subsidy to all students. The current cost of educating an undergraduate at Princeton is somewhere between 1.5 and 2 times the full tuition price. This commitment implies that as justifiable cost increases occur, they will need to be reflected in the tuition price.

5. The University should stabilize its year-to-year increases, so that it avoids the lurching numerical swings that we have seen in the recent past.

6. Tuition income—which is unrestricted—is an important source of revenue, and decisions that influence its long-term path have significant implications on the resources available for teaching, research, and operations. We must consider how best to serve the University’s
mission when studying the balance of all revenue streams, including net tuition. It should be considered within the larger framework of the University’s financial model.

This year, the Committee devoted considerable attention to the first principle. Princeton is committed to ensuring that the education it offers is genuinely affordable and accessible. That commitment is exemplified by our “stay-even” financial aid policy, which protects aid recipients from the impact of any increases to the fee package. At the same time, the Committee recognized that a Princeton education requires a large financial investment from many families, and it affirmed the importance of ensuring that Princeton remains affordable to students from all backgrounds, including low-income families, families who are on the cusp of qualifying for the University’s aid program, and non-aid families.

The Committee was reminded that the financial aid package for each family is tailored to its particular circumstances. Princeton financial aid staff review family income, financial assets, (excluding equity in the primary residence and retirement savings) and obligations (including educational expenses for other children as well as debt and medical bills for dependents). This holistic approach ensures that families with legitimate financial needs are provided with the aid necessary to ensure that Princeton is genuinely affordable for them.

In addition to being among the most affordable colleges for aid students, Princeton is the most affordable for full-tuition paying families amongst our closest peers. For the 17th year in a row, Princeton has the lowest fee package in the Ivy League. It has the second lowest tuition among private institutions on the U.S. News & World Report list of the top 50 national universities and the top 20 liberal arts colleges.

The Committee also spent significant time discussing the sixth principle. It observed that the cost of educating a student continues to increase, while the University’s net price per student—which is the fee package minus the average financial aid per enrolled student—has decreased at an annual rate of 0.8% (adjusted for inflation) over the last fifteen years.

In consideration of all of these factors, the Priorities Committee recommends a 2016-17 undergraduate student fee package of $60,090 (which includes tuition of $45,320, a room rate of
$8,335, and a board rate of $6,435). Given the discount afforded by financial aid, the average annual bill actually paid by all Princeton students and their families is expected to rise 2.2%, from $27,734 to $28,345. This includes an expected average decrease from $13,241 to $12,930 for the 60% of students who are on aid and an increase from $57,610 to $60,090 for non-aid families.

The affordability and accessibility of a Princeton education continues to be one of our signature commitments. Over the summer, the administration took a fresh look at our financial aid policies and principles and confirmed our leadership position in ensuring access and affordability. One measure of our success is that we have more than doubled the percentage of students receiving Pell grants (our Pell students have an average family income of $43,000) from 7.2% in the freshman class of 2008 to 17.0% in the freshman class of 2019. Another measure is that our students have lower rates of borrowing and lower accumulated debt than their peers at other similar colleges and universities. Eighty four percent of students in the Class of 2015 graduated with no debt after four years of college. The average Princeton student graduates with less than $1,500 of debt combined for their four years of study. The University takes pride in having been designated one of the most affordable private colleges in the United States in multiple rankings, including *U.S. News & World Report, Kiplinger’s Personal Finance*, and *The Princeton Review*.

The Priorities Committee is also responsible for proposing increases to rental rates for faculty, staff, and graduate student housing. The Vice President for University Services presented recommendations based on a market analysis of rates for comparable properties. Although the exact increases vary from property to property, this year he recommended average increases of 3% for graduate dorm rooms, graduate student apartments, and faculty and staff housing. The Committee endorsed his request.
F.  Endowment Spending

The Trustees initiated a University-wide strategic planning process in January 2014. Campus task forces were formed to deliberate on a broad range of topics; a number of them continue to meet. In February 2016, the Trustees adopted a strategic planning framework that aims to enhance the University’s core commitment to excellence in teaching and research and to fundamental principles of affordability, diversity, inclusivity, and service. The framework identifies key goals and major priorities for the University and articulates standards and questions that will be used to guide decisions about institutional investments in the coming years.

With the framework in place, we now need to determine how best to support the ambitious ideas that have emerged from these planning efforts. We know that additional fundraising will be necessary and planning has begun to support this. An increase in endowment spending is also an important consideration, both because our current spending rate is near the floor of the band that has been adopted by the Trustees and because it is clear that many high priority initiatives will only be possible if we augment significant fundraising with increased support from the endowment.

The Priorities Committee reviewed an administrative proposal to move the University’s spend rate toward the middle of the approved 4.00% to 6.25% band over a two-year period. This change would release roughly $100 million in ongoing funds in FY17, which comprises both centrally controlled resources and resources managed by academic departments and administrative units. This additional spending—which will be subject to Trustee monitoring—will be reserved for key strategic initiatives including, but not limited to, a 10% expansion of the undergraduate student body, increased support for undergraduate financial aid and graduate support, and investments in teaching and research in key academic areas such as engineering, humanistic inquiry, and environmental studies as highlighted in the strategic framework.
IV. Outlook for the Future

As part of its annual process, the Committee reviews projections for budget years beyond the upcoming one. The baseline projection is constructed by extending the growth rates recommended for the upcoming budget year’s salary pools, fee package, endowment pay-out, rents, inflation allowances, and most other variables. Estimates for items not under the University’s direct control—such as funding for sponsored research and fundraising—are based on assessments of likely growth rates.

The resulting projections are rough extrapolations of trends derived from current budget assumptions, acknowledging that economic circumstances will inevitably change and that the University’s budgetary choices will evolve with them. The projections, nevertheless, serve a useful purpose: they test whether recommendations for the upcoming budget year are sustainable, they alert us to potential areas of concern so that we can take steps to avoid them, and they establish a starting point for the discussions of next year’s Committee. These extrapolated projections show a series of deficits starting at approximately 1% of the base budget and diminishing over five to six years. These deficits are small by comparison to the University’s projected $1.9 billion budget base in FY17, and can be readily managed through a combination of expense reduction, possible revenue enhancement, and drawing on budget reserves that were established to buffer the University from economic volatility.

These baseline projections do not account for future initiatives, infrastructure, and changes to academic programs, the costs of which must be borne through the reallocation of resources, reprioritization of activities, targeted fundraising, or new revenue. However, given the significant investments anticipated for strategic planning, these projections include a new section that outlines anticipated revenues and allocations related to this future activity.

While the University is on solid financial footing, we must enhance our efforts to be as efficient as possible. We made significant progress in improving our budgeting processes this year and we must continue to review and refine our efforts to ensure that only the most meritorious investments receive funding. For example, we continue to provide competitive faculty and staff salary pools and we must continually monitor our position in these competitive markets to ensure
that we are not spending more than necessary. Similarly, if we are able to continue to provide a high level of administrative support through re-allocation and more efficient compensation structures, the resources saved can be reinvested in the University’s mission-related human and physical capital.

Efficient use of our existing assets—in combination with funds generated by the endowment spend rule increase and fundraising from alumni, donors, foundations, and corporations—will provide Princeton with the resources to sustain ongoing enhancements to our excellence in teaching and research and to fund key initiatives identified in the strategic planning framework.
### PRINCETON UNIVERSITY

Operating Budget: ALL OPERATING FUNDS SUMMARY

(dollars in thousands)

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<td>118</td>
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<td>7 Gift Revenue</td>
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<td>8 Housing, Dining, Rental, &amp; Event Income</td>
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<td>97,643</td>
<td>101,170</td>
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<td>5.1%</td>
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<td>3.6%</td>
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<td>9 Other Income and Transfers</td>
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<td>6,087</td>
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<td>1,689,162</td>
<td>1,785,428</td>
<td>1,913,158</td>
<td>96,266</td>
<td>5.7%</td>
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<td><strong>Expense</strong></td>
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<td>50,755</td>
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<td>2 Princeton Plasma Physics Laboratory</td>
<td>112,455</td>
<td>125,000</td>
<td>125,000</td>
<td>525</td>
<td>0.4%</td>
<td>0</td>
<td>0.0%</td>
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<td>3 Financial Aid - Undergraduate</td>
<td>129,398</td>
<td>138,210</td>
<td>147,374</td>
<td>8,164</td>
<td>6.0%</td>
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<td>4 Financial Aid - Central Graduate</td>
<td>19,132</td>
<td>18,830</td>
<td>19,499</td>
<td>(702)</td>
<td>-0.4%</td>
<td>669</td>
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<tr>
<td>5 University Library</td>
<td>62,091</td>
<td>64,561</td>
<td>67,253</td>
<td>2,662</td>
<td>4.1%</td>
<td>2,692</td>
<td>4.2%</td>
</tr>
<tr>
<td>6 Office of Information Technology</td>
<td>52,158</td>
<td>55,354</td>
<td>57,108</td>
<td>1,754</td>
<td>3.2%</td>
<td>1,755</td>
<td>3.2%</td>
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<tr>
<td>7 University Art Museum</td>
<td>14,962</td>
<td>15,221</td>
<td>16,005</td>
<td>784</td>
<td>5.1%</td>
<td>784</td>
<td>5.1%</td>
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<tr>
<td>8 Academic Admin. and Student Services</td>
<td>87,807</td>
<td>95,172</td>
<td>99,807</td>
<td>4,636</td>
<td>4.9%</td>
<td>4,636</td>
<td>4.9%</td>
</tr>
<tr>
<td>9 Athletics</td>
<td>28,264</td>
<td>28,807</td>
<td>30,056</td>
<td>543</td>
<td>1.9%</td>
<td>1,250</td>
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<td>10 General Administration and Expense</td>
<td>114,229</td>
<td>115,184</td>
<td>119,733</td>
<td>955</td>
<td>0.8%</td>
<td>4,550</td>
<td>3.9%</td>
</tr>
<tr>
<td>11 Facilities Services</td>
<td>119,854</td>
<td>128,006</td>
<td>131,612</td>
<td>8,522</td>
<td>6.8%</td>
<td>3,606</td>
<td>2.8%</td>
</tr>
<tr>
<td>12 University Services (Housing, Dining, Other)</td>
<td>56,993</td>
<td>59,071</td>
<td>61,409</td>
<td>2,338</td>
<td>4.0%</td>
<td>2,338</td>
<td>4.0%</td>
</tr>
<tr>
<td>13 Capital/ Non-Operating Transfers</td>
<td>206,589</td>
<td>209,546</td>
<td>261,614</td>
<td>5,068</td>
<td>24.8%</td>
<td>52,068</td>
<td>24.8%</td>
</tr>
<tr>
<td>14 Total Expense, Including Strategic Plan</td>
<td>1,686,426</td>
<td>1,786,210</td>
<td>1,913,276</td>
<td>99,784</td>
<td>5.7%</td>
<td>127,066</td>
<td>7.1%</td>
</tr>
<tr>
<td>15 Surplus or (Deficit)</td>
<td>2,736</td>
<td>(781)</td>
<td>(118)</td>
<td>(5,518)</td>
<td>663</td>
<td></td>
<td></td>
</tr>
<tr>
<td>16 Transfer (To)/ From (Later)/ Prior Periods</td>
<td>(2,736)</td>
<td>781</td>
<td>118</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

### Graduate Student Support by Category, all departments above

<table>
<thead>
<tr>
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</tr>
</thead>
<tbody>
<tr>
<td>Assistants in Instruction</td>
<td>27,931</td>
<td>30,964</td>
<td>32,176</td>
<td>3,033</td>
<td>10.9%</td>
<td>1,213</td>
<td>3.9%</td>
</tr>
<tr>
<td>Assistants in Research</td>
<td>39,713</td>
<td>37,526</td>
<td>43,012</td>
<td>(2,187)</td>
<td>-5.5%</td>
<td>5,485</td>
<td>14.6%</td>
</tr>
<tr>
<td>Graduate Fellowships</td>
<td>106,731</td>
<td>112,296</td>
<td>122,254</td>
<td>5,565</td>
<td>5.2%</td>
<td>9,958</td>
<td>8.9%</td>
</tr>
<tr>
<td>Total Graduate Student Support</td>
<td>174,375</td>
<td>180,786</td>
<td>197,442</td>
<td>6,411</td>
<td>3.7%</td>
<td>16,656</td>
<td>9.2%</td>
</tr>
</tbody>
</table>
### Revenue

1 **Investment Income.** This line includes income earned from investments, mainly the University's endowment, as well as income from external trusts, current fund balances, and faculty and staff loans. The increase reflects the planned increase in endowment payout for FY17, along with growth in income streams not governed by the endowment spending rule.

2, 3, and 4 **Tuition-Undergraduate and Graduate.** Tuition revenue increases result from the combination of higher recommended tuition rates and projected changes in enrollment.

5 **Other Student Fees.** The growth in Student Fees reflects normal inflationary increases.

6 **Grant & Contract Revenue.** The increase reflects projected growth in the direct and indirect expenses of main campus sponsored research, with expenditures at the Princeton Plasma Physics Laboratory projected to remain unchanged.

7 **Gift Revenue.** This line includes Annual Giving and expendable gifts for departmental programs, research, and other initiatives.

8 **Housing, Dining, Rental, & Event Income:** The increase reflects the recommended rate increases for dormitories, rental housing, and dining, along with projected changes in enrollment.

9 **Other Income and Transfers.** This line reflects projected volume and inflationary adjustments in the various sale-of-service units. It also includes transfers in from the capital plan for support of new buildings and prior-period balances.

### Expense

An appropriate share of the salary pools recommended by the Priorities Committee appears on each line except 2, 3, 4, and 13.

1 **Academic Departments.** The increase reflects planned changes in faculty staffing levels, including new faculty positions supported by gift and endowment income. The tuition component of graduate student fellowships and teaching and research assistantships rises in line with the proposed tuition increase. The increase also includes inflationary adjustments to academic departmental budgets and projected expenditure growth in departmentally restricted funds, along with a preliminary place-keeper for strategic initiatives.

2 **Princeton Plasma Physics Laboratory.** No change.
3 Financial Aid - Undergraduate. The increase reflects the recommended increase in the fee package, the Priorities Committee recommendation to provide a move-in allowance to low income students, and a projected increase in the total number of awards due to variations in the size and aid profiles of the graduating and entering classes.

4 Financial Aid – Central Graduate. This line reflects only those graduate fellowships that are administered through the Dean of the Graduate School’s office rather than by the individual academic units, such as NSF fellowships and some other outside awards. Increases are provided to cover the recommended tuition and stipend rates. A summary of total graduate support in all departments appears at the bottom of the Expenditure table.

5 University Library. Reflects normal inflationary adjustments.

6 Office of Information Technology. Includes technical, administrative, and programming support of University enterprise systems, including research computing.

7 University Art Museum. Includes all curatorial, exhibition, preservation, storage, and other operating costs.

8 Academic Administration and Student Services. Includes the office of the Provost; the Deans of the Faculty, College, Graduate School, and Research; the office of the Vice President for Campus Life (except Athletics, see note 9); and other offices primarily devoted to central support of the academic mission.

9 Athletics. Includes varsity and club sports, recreational athletics, and Friends groups.

10 General Administration and Expense. This includes central business functions such as the offices of the President, Executive Vice President, Vice President for Human Resources, General Counsel, Vice President for Finance and Treasurer, Vice President for Development, and the like.

11 Facilities Services. Staff and operating expenses directly associated with the operation and maintenance of the physical plant, including the costs of property taxes, water and sewer charges, insurance, and energy costs.

12 University Services. Includes Housing, Dining, Event Services, Transportation Services, and the like. Most of the revenues associated with University Services are shown under Revenue line 8.

13 Capital Transfer. This line reflects the costs of major maintenance and renovation projects. 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 growth consistent with the current ten-year capital plan. It also reflects a reserve for strategic initiatives to be determined.