



**PRINCETON UNIVERSITY**  
**REPORT OF THE PRIORITIES COMMITTEE**  
**TO THE PRESIDENT**

**Recommendations Concerning the  
Operating Budget for 2024-2025**

**March 12, 2024**



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**Jennifer Rexford**  
*Provost*

March 12, 2024

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

Dear President Eisgruber,

I am pleased to present the annual report of the Priorities Committee, with recommendations for the University's operating budget for fiscal year 2024-25 (FY2025).

The proposed budget marks a return to more typical rates of annual growth after several higher years to enable substantial enhancements to our undergraduate financial aid program and the levels of graduate student support, higher salary pools in the face of unusually high inflation and labor market pressures, support for enrollment expansion, and recovery of operations from the pandemic. Next year's 5.3 percent increase in expenses, while modest in comparison to recent years, reflects a strong commitment to current programs while also investing in bold new ideas and initiatives, including artificial intelligence research and applications, the recently launched Omenn-Darling Bioengineering Institute, quantum research, increasing focus on academic partnerships and engagement with Africa, and academic outreach. Next year will also witness the opening of several new buildings, including the Princeton Art Museum, an expanded Dillon fitness center, and housing and athletic facilities in the new Meadows precinct—all requiring staffing and other operating support.

The budget proposal includes a return of the annual "payout inflator assumption" to five percent, after several years at four percent for five of the past six years since the reset. Given the centrality of the endowment as the primary funding source for the operating budget, this adjustment ensures sufficient resources to invest in our programs and people in the coming years. With this change, we expect the endowment spending rate to increase to 5.4 percent for FY2025, still comfortably within the approved band.

The Priorities Committee endorses a 4.5 percent increase for student charges for 2024-25. While this increase is slightly higher than last year and the highest since the 4.9 percent increase for FY2020, we believe this increase is reasonable given continuing cost pressures, significant program investments and our ongoing position at the bottom of our peer group on student charges. The increase in student

charges will be accompanied by our continuing steadfast commitment to ensuring that our financial aid and graduate support programs remain among the most competitive in the nation. At \$74,380, the average scholarship will account for 90 percent of student charges amount next year. The scholarship budget will grow by 7.8 percent to account for student charges and the continuing increase in the number of students receiving financial aid. Graduate fellowship and stipend rates will increase by 4.25 percent, continuing competitive funding levels for graduate students following increases of 5.0 percent and 26.0 percent during the two prior years. Spending on graduate support is expected to increase by 6.7 percent for next year, factoring in Ph.D. enrollment growth.

Inflation has fallen sharply over the past year, although it has proven a bit more stubborn in recent months. While this has eased pressures on many parts of our budget, labor and wage trends continue to present challenges. The salary pools for both faculty and staff remain notably higher than our historical norms for FY2025, at 5.80 and 4.85 percent, respectively. Salaries remain a priority area of emphasis for the committee, both as a claim on resources as well as for careful monitoring and analysis.

We believe that next year's overall 5.3 percent increase for the operating budget is representative of the pace of growth we anticipate for the near-term future. Looking forward, our plans expect continued strong positions for compensation and student support, incorporation of operating and program costs associated with the slate of new or expanded buildings coming on-line, and the provision of a discretionary margin to continue the addition of high-priority investments in programs and new initiatives.

I am grateful to my colleagues on this year's Priorities Committee, who devoted significant time, energy, and creativity to our work together. I also extend thanks to the University administrators who supported the Committee in its work, including Richard Myers, Steve Semenuk, Timothy Tayler, and Allissa Visconti, as well as the administrative teams from the College, Graduate School, Office of the Dean of the Faculty, and Human Resources.

Sincerely,

A handwritten signature in blue ink that reads "Jennifer Rexford". The signature is written in a cursive, flowing style.

Jennifer Rexford, Provost  
Chair, Priorities Committee

**The Committee**

Jennifer Rexford, Provost (Chair)

Katie Callow-Wright, Executive Vice President

Glen Chua, Graduate Student in Atmospheric and Oceanic Sciences

Kelsey Hatzell, Assistant Professor of Mechanical and Aerospace Engineering

Brook Holmes, Professor of Classics

Gene Jarrett, Dean of the Faculty

Sydney Johnson, Undergraduate Class of 2024

Haneen Khalid, Graduate Student in the School of Public and International Affairs

Elise Kratzer, Undergraduate Class of 2024

Tania Lombrozo, Professor of Psychology

Noah Luch, Undergraduate Class of 2024

Jim Matteo, Vice President for Finance and Treasurer

Laurence Ralph, Professor of Anthropology

Adam Sanders, Undergraduate Class of 2025

Stacey Sinclair, Professor of Psychology and Public Affairs

Cecily Swanson, Associate Dean for Academic Advising, Office of the Dean of the College

Jared Toettcher, Associate Professor of Molecular Biology

**Meeting with the Committee**

Steve Semenuk, Assistant Vice President for Planning, Budget, and Analysis

Timothy Taylor, Associate Provost for Budget Planning

## Table of Contents

I.	INTRODUCTION	7
II.	BUDGETARY BACKGROUND	7
III.	RECOMMENDATIONS AND ASSUMPTIONS	
	A. <i>INVESTMENT INCOME</i>	9
	B. <i>STUDENT CHARGES</i>	9
	C. <i>SPONSORED RESEARCH &amp; OTHER GRANTS</i>	10
	D. <i>OTHER REVENUES</i>	10
	E. <i>UNDERGRADUATE FINANCIAL AID</i>	10
	F. <i>GRADUATE FELLOWSHIPS AND STIPENDS</i>	12
	G. <i>SALARY POOLS</i>	14
	H. <i>ALLOCATIONS TO THE CAPITAL BUDGET</i>	16
	I. <i>OUTLOOK FOR THE FUTURE</i>	17
IV.	APPENDICES	19

## 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 prepares and recommends the University's operating budget to the President and Board of Trustees each year. The Provost chairs the Committee, whose members include tenured and non-tenured faculty members, graduate and undergraduate students, and staff.

The Committee's work is guided by three fundamental principles: (1) a Princeton education should be affordable and accessible to any family; (2) Princeton's status as a world-class teaching and research institution depends on its ability to attract, support, and retain the very best academic talent; and (3) the University must manage its resources so that a Princeton student years from now will be as advantaged by Princeton support as a student today, taking into account inflation and other changes in family economic circumstances. These three principles—access and affordability, academic excellence, and intergenerational equity—provide the framework within which the Committee makes decisions about specific budgetary priorities in a given year.

The Committee reviews recommended rates and increases for most areas central to the University's budget, including student charges (composed of tuition, room, and board), graduate student stipends, faculty and staff salaries, and University housing rents. The Priorities Committee also provides feedback on the operating budget impact of initiatives that arise from the University's strategic planning efforts, the Committee on Undergraduate Financial Aid and Admission (CUAFA), and the committee on Strengthening University Management and Resources (SUMAR).

Following its usual practice, the Priorities Committee met weekly from October through March, with time spent on 'deep dives' into the University's finances and operations. Cabinet members provided written reports of their budget recommendations for FY2025, which were summarized by the Provost's Office, and then evaluated by Committee members during the weekly meetings. Members of the Priorities Committee met with the Finance Committee of the Board of Trustees in late January to review a preliminary set of recommendations for student charges, salary pools, and other budget parameters, and finished out the FY2025 cycle with discussions of longer-term budgetary issues.

This report summarizes the Committee's recommendations and discussions.

## II. Budgetary Background

Growth of the undergraduate student population, transformation of the physical campus, major financial support changes, and a strong rebound from the pandemic inform the operating budget proposal for FY2025.

Expanding access and affordability remain at the forefront of our plans, as witnessed by the 28 percent, \$128 million, addition to undergraduate and graduate student financial support since FY2022. In addition, the FY2025 budget incorporates robust salary and wage increases to ensure that Princeton maintains its compensation competitiveness across faculty and staff ranks.

Applying the key budget parameters outlined below, we project expense and allocations totaling \$3.15 billion for FY2025, passing the \$3 billion mark for the first time. Across all operating funds, total operating expense and capital allocations are projected to grow by 5.3 percent, with adjusted “core expense growth” increasing by 5.4 percent.<sup>1</sup> While national and regional inflation indices have fallen sharply over the past year, salaries and wages are stickier and have not experienced such rapid dampening of increases as have other categories. We expect further moderation of salary and wage growth rates after the past two years of market pressures and resets toward their longer-term norms. Rates of increase for undergraduate financial aid and graduate student support are higher than those for most other operating costs due to planned enrollment increases. The remainder of this memo explores each of the following primary budget parameters in greater detail.

<b>Key Budget Parameters</b>	<b>FY2024</b>	<b>FY2025</b>
Undergraduate Student Charges	4.00%	4.50%
Endowment Payout Increase	4.00%	5.00%
Graduate Apartments*	4.00%	4.00%
Faculty/Staff Housing	4.00%	4.00%
Faculty Salary Pools**	5.95%	5.80%
Staff Salary Pools**	5.45%	4.85%
<i>Graduate Stipends</i>		
Fellowship Stipend	5.00%	4.25%
AR Stipend	5.00%	4.25%
AI Stipend	5.00%	4.25%

\*Graduate dorms/annexes to increase 1.0% in FY2025

\*\*With promotion, retention, & reclassification pools

<b>Employee Benefit Rates</b>	<b>FY2024</b>	<b>FY2025</b>
Base Department	30.40%	28.90%
Academic Department	37.30%	36.40%

Amounts in \$M

<b>Major Expense Category</b>	<b>FY2024</b>	<b>FY2025</b>	<b>% Change</b>
Core Expenses	1,740.4	1,834.2	5.4%
Undergraduate Scholarships	258.5	278.8	7.8%
Graduate Student Support	314.2	335.1	6.7%
PPPL Expense	210.0	221.6	5.5%
Allocations to Capital Budget	470.2	483.0	2.7%
<b>Total Operating Budget</b>	<b>2,993.3</b>	<b>3,152.7</b>	<b>5.3%</b>

<sup>1</sup> “Core Expenses” exclude graduate and undergraduate financial support, Princeton Plasma Physics Laboratory expenses, and transfers to the capital budget.

### **III. Recommendations and Assumptions**

#### **A. Investment Income**

Investment income remains the largest overall source of revenue to support the University's operations, and continues to provide larger annual increments than do any other operating revenue streams. Even before the additional payout generated by new gifts to endowment and other principal investments are factored in, payout-per-unit rose by compound average growth rates of 6.1 percent and 6.4 percent over the past twenty and ten years, respectively.

The proposed FY2025 budget projection includes the University's recommendation to return the Payout Inflation Assumption (PIA) to 5.0 percent in FY2025, up from the 4.0 percent inflator in each year since FY2019 (with the exception of FY2021, when pandemic-clouded economic outlook led the trustees to approve no increase in payout). The move to lower 4.0 percent increases in payout were adopted alongside the large payout steps in FY2017 and FY2018 (17 and 19 percent, respectively) to avoid the accumulation of unspent balances, and in recognition of lower inflation that prevailed in that period.

Princeton's trustees have established a spending rate policy band with a 4.0 percent lower bound and a 6.25 percent upper bound to pursue inter-generational equity in the use of our endowment resources to support current versus future students. In the four years prior to the historic 47 percent return in FY2021, the University's spending rate averaged 5.4 percent. The large FY2021 return dropped the spending rate to 4.12 percent for FY2022, while the slightly negative returns of the past two fiscal years have returned the spending rate to slightly below the midpoint of the range (5.04 percent for FY2024). Although endowment performance is never known at the time that the payout increase is established for the coming year, we project a spending rate of 5.40 percent if the using the proposed 5.0 percent payout increase combined with the latest performance estimate.

Total investment income, which also includes modest amounts from external trusts and faculty and staff mortgages, is projected to increase by \$89 million, to \$1.77 billion, in FY2025. In addition to the increase provided by the proposed 5.0 percent per-unit payout inflator, this growth also includes payout from expected new endowment gifts received under the Venture Forward campaign.

#### **B. Student Charges**

Financial aid serves as the main policy lever by which Princeton aggressively pursues affordability and accessibility for its students, further discussed in a section below. That said, Princeton also is attentive to the cost billed to families who do not qualify for financial aid, and remains committed to ensuring that a Princeton education is affordable for all families, including those on the edges of financial aid eligibility. Princeton's total student charges have been the lowest among the Ivy-Plus group in all but a handful of years during the past two decades. With the 4.0 percent increase approved last spring for FY2024 Princeton's student charges remain the lowest among its peer group, 0.6% below the next lowest university.

The Committee recommends an increase to student charges of 4.5 percent for FY2025, applied evenly across tuition, room, and board rates. Considering the higher inflation impacting University expenditures in recent years; the cost of new and improved facilities; and recent major changes in financial aid that further reduce Princeton's cost of attendance for families in upper middle-income ranges, a slightly higher increase in student charges for FY2025 is recommended. If approved, the recommended 4.5



percent increase in rates would increase total student charges by \$3,560, to \$82,650, including \$62,400 for tuition, \$11,910 for room, and \$8,340 for board. The difference between increases of 4.5 percent versus 4.0 percent would be \$395 for a non-aid student.

The FY2025 budget marks the third year of the planned 500-student undergraduate student expansion. Princeton expects an undergraduate population of 5,723, more than 400 students above the pre-expansion average enrollment. Gross undergraduate tuition revenue is projected to increase by \$22.6 million, or 6.9 percent, to \$350.6 million, while undergraduate room and board contract revenue is estimated to grow by 6.6 percent, or \$5.6 million, to \$89.9 million. This results in projected total undergraduate student revenue of \$440.5 million, before financial aid.

## **C. Sponsored Research & Other Grants**

Research grants and contract revenues are projected to reach \$564 million for FY2025, a 5.4% increase over current levels. This growth, which extends a longer-term growth trend, reflects the continuing growth of main campus and Plasma Physics Laboratory research projects.

The projected grants and contracts revenue total for FY2025 includes \$252.5 million of direct cost awards for sponsored research on main campus and \$210.1 million at the Plasma Physics Lab, \$82.5 million of indirect cost recoveries, and \$19.0 million of grants and contracts for non-research purposes. The [annual research reports](#) from the Dean for Research provide additional details and trend data on sponsored research at Princeton.

Federal government agencies provide the largest share of grants and contract awards to Princeton, accounting for 84 percent of the spending in FY2023. The Department of Energy, National Science Foundation and the National Institutes of Health provided \$405 million of the \$483 million total from government sources. Foundations and industry/private sources provide the remaining 12 percent and 4 percent, respectively, of total grant and contract revenue.

After investment income, research grant and contract revenues represent the largest remaining share—18 percent—of gross operating revenues.

## **D. Other Revenues**

Annual Giving and various restricted departmental gifts, providing 4 percent of total revenue, are projected to increase by 3.7 percent, or \$4.3 million, to \$120.2 million.

Housing, dining, and event income will see estimated growth of 5.2 percent, or \$6.5 million, accounting for 4 percent of the total operating inflow.

Royalties, commercial rents, and miscellaneous other income streams produce the remaining 1 percent, and grow only nominally, by \$3.4 million.

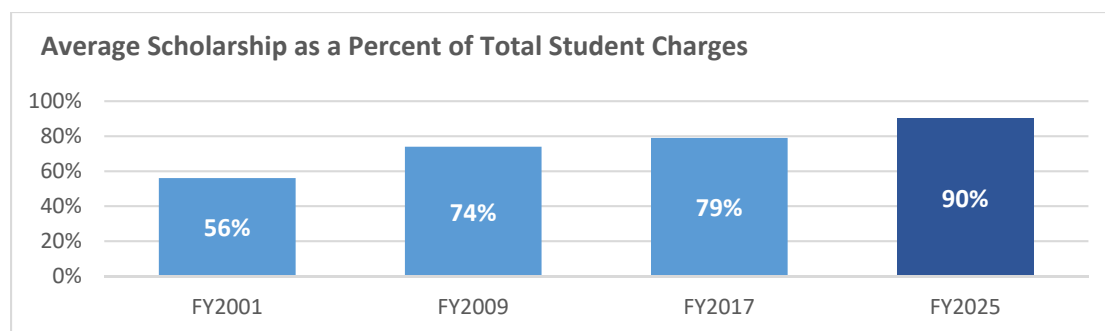
## **E. Undergraduate Financial Aid**

Significant trustee-approved changes in undergraduate financial aid policy went into effect this past fall—elimination of the student contribution, simplification of aid calculation methodology, and a more generous personal and book allowance increased the average scholarship grant by nearly 15 percent for

FY2024. For FY2025, we expect the average scholarship to increase by an estimated 4.5 percent, reflecting the “stay-even” scholarship policy that adjusts grants to match the change in student charges.

Though the number of scholarship recipients is never certain until after classes are enrolled and aid packages are updated in the fall, we currently project that the proportion of students who receive aid will move above 65 percent, pulled upward by the estimate of 70 percent of first-year students receiving aid. Given the continuing increase in expected enrollment in the third year of planned population expansion, an estimated 3,748 undergraduate students will receive financial aid next fiscal year.

As noted in the Priorities Committee report last spring, Princeton’s transformative financial aid packaging changes are evident in the notable change in the ratio of average scholarship to total student charges, plotted in the following chart. In FY2001, the average scholarship grant covered 56 percent of total student charges. Changing to the “no loan” policy and efforts to further increase socioeconomic diversity raised this ratio markedly, to 72 percent by FY2012, and to 79 percent by 2017. In FY2024, the methodology change lifted that ratio to 90 percent for the first time, and will continue at that level in FY2025. While this metric is used for tracking purposes, it is important to note that this ratio represents the aid population as a whole—many students receive a scholarship grant that covers all billed student charges as well as other costs of attendance.

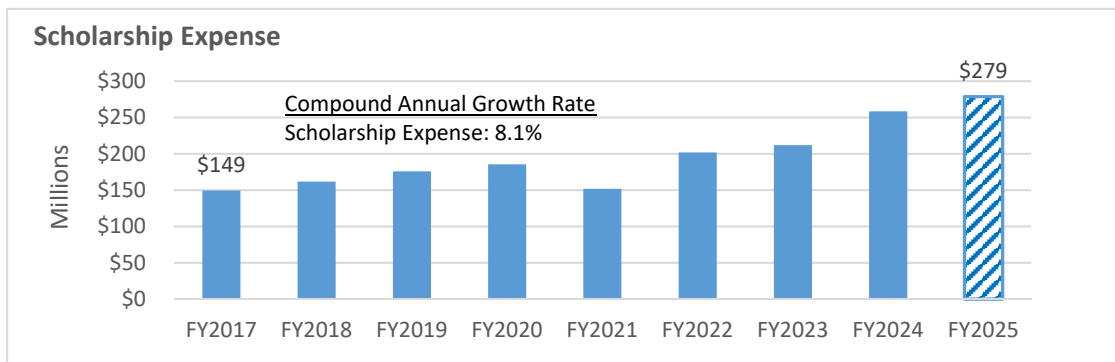
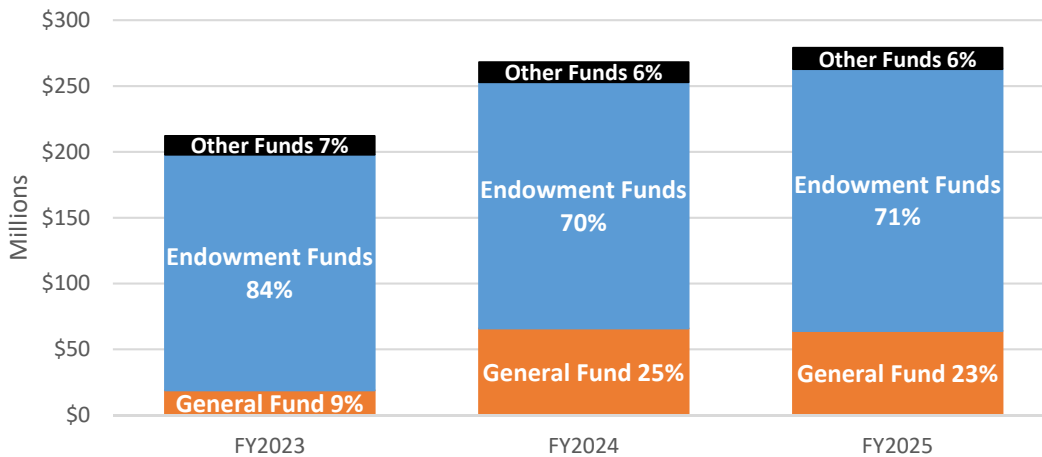


Supported by a variety of sources, scholarship grants are projected to increase by \$20 million, or 7.8 percent next year, about \$12 million more due to the stay-even policy that adjusts grants with changes in student charges, and some \$8 million more due to the continuing increase in the number of students receiving financial aid—117 more are projected to receive financial aid in FY2025.

Assuming the proposed 5 percent increase in payout per unit, and some additional payout from typical levels of new scholarship endowment gifts, endowments specified for financial aid will cover an estimated 71 percent, or \$199 million of the \$279 million FY2025 scholarship total. Outside scholarships, governmental grants, and other miscellaneous funds offset almost \$16 million, or just about 6 percent of the total. This leaves the General Fund<sup>2</sup>, which receives support from unrestricted Annual Giving and flexible endowments, to cover the remaining 23 percent, or \$64 million. In FY2024 and FY2025, the relative and absolute amounts of scholarship grants borne by the General Fund are at much higher levels than in recent years due to the change in aid methodology that commenced this year and scholarship grant growth well above endowment payout increases. We expect that these results will moderate over time by continued support from Annual Giving, central endowments, and accelerated scholarship fundraising as part of the Venture Forward campaign.

<sup>2</sup> The main operating fund of the university, sourced by unrestricted and other flexible sources.

### Scholarship Expense by Year and Source Group



## F. Graduate Fellowships and Stipends

Following more than a decade of 3 percent stipend increases, the trustees approved a re-positioning of Princeton’s graduate-student stipends, averaging 26 percent above the prior year, in FY2023, and increased those rates by 5.0 percent for FY2024.

The Priorities Committee endorses the Graduate School’s recommendation of 4.25 percent increases for all categories of graduate stipends for FY2025. These increases are intended to ensure that the recent gain in Princeton’s competitive stipend position does not erode, and to help graduate students continue to meet changes in local costs of living:

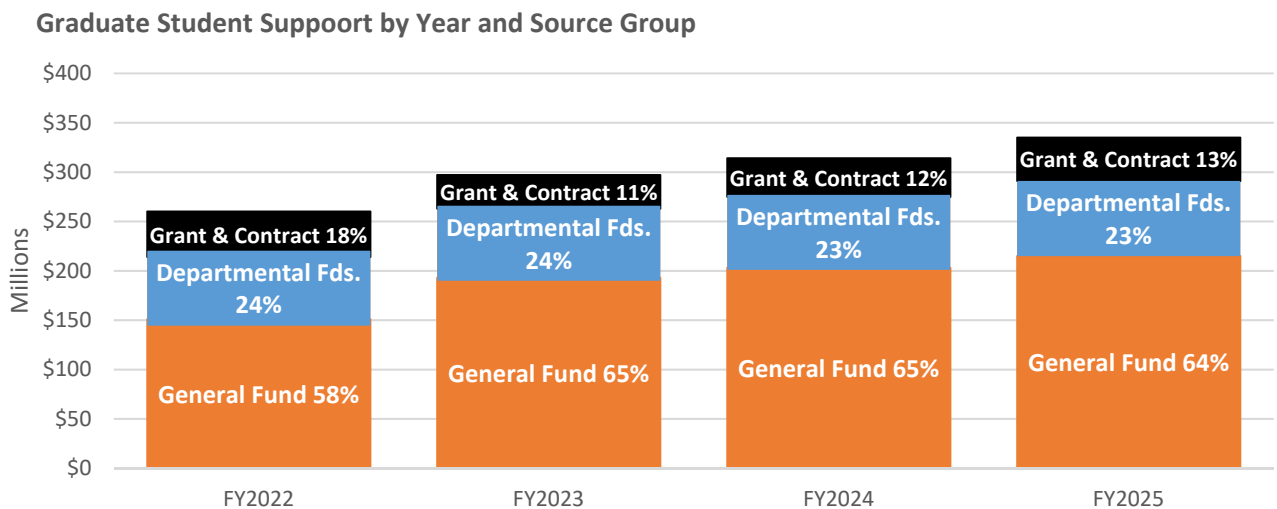
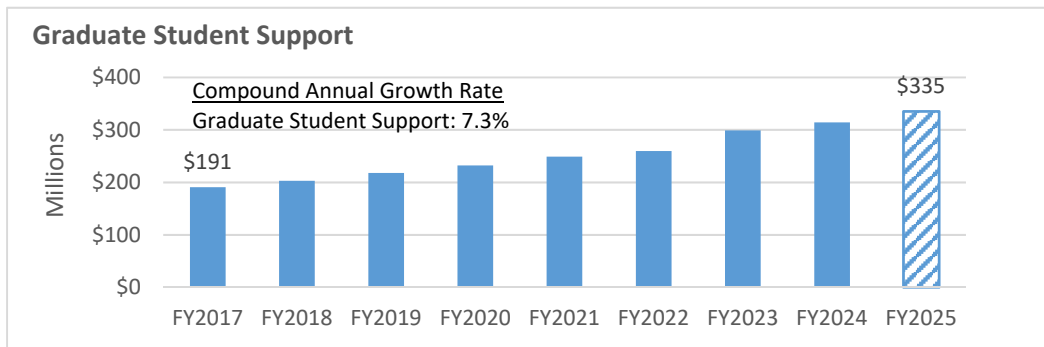
- the 12-month University fellowship from \$47,880 to \$49,920
- the 12-month Assistantship in Research (AR) stipend from \$50,400 to \$52,536;
- the 10-month Assistantship in Instruction (AI) stipend from \$44,100 to \$45,970 (most such students also will earn average summer stipends<sup>3</sup> that bring their 12-month total to \$54,512).

<sup>3</sup> Students who receive AI stipends during the academic year typically receive additional payments from other University sources during the two-month summer period.

Rental rate increases are a primary component in annual graduate student affordability studies. With planned graduate student apartment and dormitory rate increases of 4 percent and 1 percent, respectively, for FY2025, the recommended stipend increases are informed by estimated living expense increases and provide a buffer for other components of their typical costs of attendance.

The tuition and stipend recommendations combined with expected changes in graduate student enrollment result in total graduate student financial support reaching a projected \$335 million in FY2025, a 6.7 percent increase.

Approximately 64 percent of the graduate support package falls on central funds; 23 percent on departmentally managed gifts, endowments, and designated funds; and 13 percent on sponsored research and other grants and contracts. The latter reflects the trustee-approved policy commencing in FY2023 to relieve grants of tuition charges for graduate students; this reduced the portion of graduate student expenses on grants from a typical relative share of 18 percent.



## G. Salary Pools

In their reports to the Priorities Committee, the Dean of the Faculty and the Vice President for Human Resources emphasized the continuing need to position Princeton's salaries and wages competitively to recruit and retain top talent. Three key sets of indicators inform the annual salary recommendations:

- recruitment and retention trends;
- economic indicators, such as inflation (CPI-U) and the Employment Cost Index (ECI); and
- market salary data and surveys.

Outside of pressures in select hiring markets, such as for software engineers, Princeton is not witnessing general hiring or retention challenges based on salary considerations. Ongoing vigilance to this issue still is required, with market responses where needed.

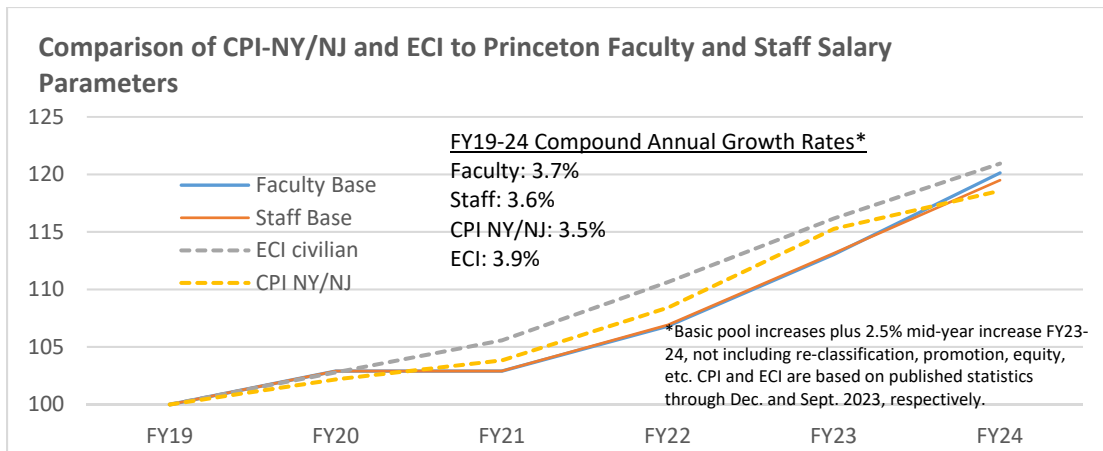
Though they are not determinative of Princeton's salary increases, concerns about above-normal price inflation persist. Fortunately, these concerns have not been as prevalent as they were a year ago. Nationwide CPI-U has continued on a steady downward slope over the past year, falling significantly, to 3.1 percent for the year ended in January 2024, as compared to the annual increase of 6.4 percent reported in January 2023. CPI measures for local regions also show downward trends, and typically record smaller year-over-year increases than the national measure: the New York-Newark-Jersey City area reported a 2.5 percent increase over last January's level, and the Philadelphia-Camden-Wilmington area recorded a 3.9 percent increase for the year ending in December<sup>4</sup>.

Employment Cost Index (ECI) normally is more influential in discussions of Princeton's salary increase factors than are CPI statistics. The ECI measures the change in labor costs over time: how employers translate inflation and other economic factors into compensation levels. While the University is mindful of the impact of inflation on the purchasing power of wages for its faculty and staff, it treats the ECI as a more direct measure of general salary market movements by which to guide personnel cost rate-setting. ECI salary and wage growth for civilian workers peaked at a 5.1 percent year-over-year increase in December 2022, and fell to a 4.3 percent annual growth rate in the year ending December 2023.

Headline inflation and ECI are expected to continue downward, though uncertainty remains as to the pace and eventual resting level over the next year. Given the persistent elevation of inflation and labor market wage pressures, the Committee emphasized the need to continue base pay adjustment pools for faculty and staff salaries about 100 basis points above Princeton's pre-pandemic rates, though below the higher adjustment factors of the past two years.

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<sup>4</sup> This geographic region is updated less frequently.



Factoring in the higher FY2024 salary base on which the FY2025 increases will be derived, the Committee recommends the following rate increases for next fiscal year.

## Staff Salaries

The Priorities Committee endorses the Vice President for Human Resources' recommendation for an overall 4.85 percent increase to the FY2025 salary pool for non-union staff, whose increases are not governed by contractual negotiation. This includes a basic staff merit pool increase of 4.25 percent, and a promotion and adjustment pool increase of 0.60 percent. As usual, the latter is targeted for reclassifications of existing positions, equity adjustments, retentions, and other off-cycle pay adjustments that apply to only a small percentage of staff salaries and wages. Under this recommendation, merit pool increases for the fourth year in a row will be well above the average 2.9 percent increase that prevailed for the fifteen years up to the pandemic. The target increase for re-classification, equity, and market adjustments falls back to the typical range (0.6 to 0.7 percent) that prevailed prior to FY2023.

Two main considerations guide the Priorities Committee in recommending these increases to expected salaries and wages for next year:

(1) Inflation and ECI levels will remain above pre-pandemic marks into the next year. The four survey sources that Human Resources uses to gauge market increases report an average projected increase of 4.0 percent for FY2025. All current indications are that the recommendation contained here should maintain Princeton's position relative to the labor market.

(2) Princeton's staff salaries will be closely matched to market across all pay levels. The 1.45 percent increase in the special salary adjustment pool for FY2023, higher-than-normal base increases in FY2023 and FY2024, and the across-the-board 2.5% increase that annualized in FY2024, have allowed Human Resources to re-align with market those job categories that faced significant market pressures after the pandemic. This is especially true in lower wage ranges that were experiencing much higher demand. Human Resources reported that more than twenty percent of all positions saw special market adjustments or reclassifications in the past two years, separate and apart from merit pool and mid-year increases. The 0.60 percent reclassification and special market adjustment pool increase recommended for FY2025 is expected to be sufficient to address the more regular level of adjustments after these post-pandemic re-assessments and re-alignments.

The basic staff salary pool rate increase adds an estimated \$24 million to the General Fund budget, including benefits. The Committee also endorses continuation of the Tiger and Stripe Awards pool sized at 0.36 percent of total HR staff salaries and wages for FY2025; this translates to a \$1.7 million pool. These one-time awards are not added to employees' ongoing base salaries; they are to provide special recognition for one-time exceptional achievements or contributions to the University's mission, above and beyond the employee's normal job responsibilities.

## **Faculty Salaries**

All available data and signals indicate that Princeton's faculty salaries remain very competitive, positioned at or near the top for all disciplines. Recruitment and retention activity during the year provides timely evidence of how salary levels are moving in particular fields. Department chairs and the Office of the Dean of the Faculty often and directly receive input from the market as they recruit new faculty and counter outside offers. Retention-related increases account for approximately ten percent of the faculty salary pool each year.

Having reviewed available market position and other data provided by the Dean of the Faculty, the Priorities Committee supports his recommendation to increase the faculty salary pool by 5.80 percent for FY2025. This increase is 15 basis points lower than last year's total pool (before the 2.5 percent mid-year base increase), but still well above the 4.4 percent average total annual pool increase that prevailed for fifteen years before the pandemic. The proposed pool consists of a 4.25 percent increase in the "basic salary pool" similar to that for staff, plus 1.55 percent for promotions, retentions, and other special adjustments. As always, the updated budget will adjust the promotion and retention pool during the year if the Dean of the Faculty notes any unexpected surge in salary adjustments for faculty retention needs. The Dean also controls a portfolio of other non-salary retention and recruitment incentives that are important tools in maintaining and attracting the highest caliber faculty.

Following normal conventions, the basic pool will be distributed differentially by rank and department, reflecting the drop in the base benefits rate change and a slight uptick in the amount needed to cover approved sabbaticals.

## **H. Allocations to the Capital Budget**

Princeton's Operating Budget provides annual transfers to support the University's Capital Budget, which funds campus construction and renovation projects, as well as regular maintenance of buildings. These transfers are augmented by additional funding from donors and financing from debt issuance to support the overall multi-year Capital Plan. For FY2025, the amount transferred from the operating to capital is projected to increase to \$483 million, from \$470 million in FY2024. These transfers have more than doubled since FY2018, coinciding with the launch of the University's most recent Capital Plan.

Princeton is in the midst of an extraordinary period of investment in the campus, as evidenced by the recently completed residential colleges and construction of Hobson College; new buildings underway for the sciences and engineering and the Art Museum; a renovation and expansion of Guyot Hall into Schmidt Hall to serve as the new home for Computer Science and other data science-related units; the development of the Meadows Campus; new and enhanced student life facilities; sustainability and infrastructure improvements that move the university toward its carbon-neutrality goals; and many other projects.

## I. Outlook for the Future

The projected growth of next year's operating budget by 5.3 percent overall, and 5.4 percent for core expenses, marks a moderation in expense growth after a couple of significantly higher growth years. Recent years' higher growth rates reflect significant strategic investments, such as the substantial increases to financial aid and graduate support; salary and wage pressures in tighter labor markets; and other cost pressures arising from post-pandemic bottlenecks and pent-up spending demand. Despite this tapering from immediate post-pandemic peaks, we believe that cost increases in the five to six percent range seen in the current budget projection are representative of the pace of growth we anticipate for the near-term future. Looking forward, our plans expect continued strong positions for compensation and student support, incorporation of operating and program costs associated with the large slate of new or expanded buildings coming on-line, and provision of a discretionary margin to continue the addition of high-priority investments in programs and new initiatives.

Operating budgets in Facilities, University Services, Residential Colleges, Campus Life, and other administrative areas that provide service and programming for the new complement of undergraduates have been incorporated in the current budget. We continue to monitor needs and service levels and may make further modifications through FY2026 as the current wave of undergraduate population expansion concludes. The budget by FY2026 will include additional financial aid for at least 330 more students.

The operating budget outlook reflects approved and upcoming new academic initiatives in critical and crosscutting new areas of research, including Bioengineering, Quantum Science, and Engineering. New and significantly enhanced facilities for athletics, health services, the art museum, and graduate housing also lead to additional building operation and program costs. As the transformation of the main Princeton campus and development of the new Meadows campus hits full stride over the next three years, we expect that capital construction costs and additional programmatic and operating costs for these facilities may place larger demands on the operating budget than have already been planned.

Core inflation concerns continue into the next fiscal year, though its impacts on the operating budget remain moderate. Increases to compensation expense place more pressure on the operating budget given that this category represents more than two-fifths of total operating spending and allocations. If above-normal personnel cost pressures persist beyond FY2025, we will look to a variety of responsive moves. These may include cost-sharing and cost-saving approaches, as well as additional efforts to moderate staffing growth. On the revenue side, we look for average payout growth rates continuing to ascend toward to pre-pandemic norms, while continued robust sponsored research growth—as well as expansion supported by state-of-the-art new facilities—should enhance indirect cost recoveries and other research-related income streams.

The reported endowment spending rate remains well inside the trustee-established policy band, standing at just over 5.0 percent at the beginning of this fiscal year, and not expected to rise above 5.4 percent even with the larger payout inflator rate planned for FY2025. Departmental balances accumulated after the last major spending rule change and the pandemic slowdown are being utilized.



The Committee closes this year's report with amazement about all the strategic changes and investments already reflected in this budget, and excitement about the many new academic and Princeton community life initiatives that will come to fruition in the next few years.

## IV. Appendices

**PRINCETON UNIVERSITY**  
**Operating Budget: ALL OPERATING FUNDS SUMMARY**  
(dollars in millions)

		(a)	(b)	(c)	(c) - (b)	(c) / (b)
		FY23	FY24	FY25	25 Proj. v.	25 Proj. v.
		Actual	Budget	Projection	24 Bud.	24 Bud.
		Final	Current		\$ Chg.	% Chg.
<b>Revenue and Transfers</b>						
1	Investment Income Operating Budget	1,611.9	1,680.8	1,770.2	89.4	5.3%
2	Tuition-Undergraduate	314.4	328.0	350.6	22.6	6.9%
3	Tuition-Graduate	150.9	158.7	167.7	9.0	5.7%
4	<b>Total Tuition</b>	<b>465.3</b>	<b>486.7</b>	<b>518.4</b>	<b>31.6</b>	<b>6.5%</b>
5	Other Student Fees	2.6	3.6	3.7	0.0	1.3%
6	Grants & Contract Revenue	500.5	535.0	564.0	29.0	5.4%
7	Gift Revenue	110.8	115.9	120.2	4.3	3.7%
8	Housing, Dining, Rental, & Event Income	115.7	126.1	132.6	6.5	5.2%
9	Other Income	82.2	88.7	89.4	0.7	0.8%
10	Transfers (to)/from balances and non-operating	(96.9)	(42.6)	(45.8)	(3.2)	7.6%
11	<b>Total Revenue and Transfers</b>	<b>2,792.1</b>	<b>2,994.3</b>	<b>3,152.7</b>	<b>158.4</b>	<b>5.3%</b>
<b>Footnote on annual Giving</b>						
	<i>Annual Giving-Gifts</i>	<i>60.7</i>	<i>66.4</i>	<i>69.7</i>	<i>3.3</i>	<i>5.0%</i>
	<i>Annual Giving-Endowment Payout</i>	<i>9.1</i>	<i>9.3</i>	<i>9.8</i>	<i>0.5</i>	<i>5.3%</i>
	<b>Annual Giving Gifts and Endowment</b>	<b>69.8</b>	<b>75.7</b>	<b>79.5</b>	<b>3.8</b>	<b>5.0%</b>

**PRINCETON UNIVERSITY**  
**Operating Budget: ALL OPERATING FUNDS SUMMARY**  
(dollars in millions)

		(a)	(b)	(c)	(c) - (b)	(c) / (b)
		FY23	FY24	FY25	25 Proj. v.	25 Proj. v.
		Actual	Budget	Projection	24 Bud.	24 Bud.
		Final	Current		\$ Chg.	% Chg.
<b>Expense and Allocations</b>						
1	Academic Departments	1,088.0	1,159.9	1,233.8	74.0	6.4%
2	Princeton Plasma Physics Laboratory	195.6	210.0	221.6	11.6	5.5%
3	Financial Aid - Undergraduate	212.2	258.5	278.8	20.3	7.8%
4	Financial Aid - Graduate	31.7	31.7	33.2	1.4	4.6%
5	University Library	85.6	87.2	91.9	4.8	5.5%
6	Office of Information Technology	82.2	85.6	89.3	3.6	4.2%
7	University Art Museum	22.0	27.7	29.0	1.4	5.0%
8	Academic Admin. and Student Services	149.7	169.2	175.8	6.6	3.9%
9	Athletics	47.0	51.7	54.0	2.2	4.3%
10	General Administration & Univ. Expense	171.5	187.3	195.9	8.6	4.6%
11	Facilities Services	156.5	168.5	176.9	8.3	5.0%
12	University Services (Housing, Dining, Other)	74.0	85.7	89.5	3.7	4.3%
<b>13</b>	<b>Total Expense before allocations</b>	<b>2,315.9</b>	<b>2,523.1</b>	<b>2,669.6</b>	<b>146.5</b>	<b>5.8%</b>
<b>14</b>	<b>Total Allocations to Capital Budget</b>	<b>458.8</b>	<b>470.2</b>	<b>483.0</b>	<b>12.9</b>	<b>2.7%</b>
<b>15</b>	<b>Total Expense and Allocations</b>	<b>2,774.7</b>	<b>2,993.3</b>	<b>3,152.7</b>	<b>159.4</b>	<b>5.3%</b>
<b>16</b>	<b>Transfer To Later/ (From) Prior Periods</b>	<b>17.4</b>	<b>1.1</b>	<b>0.0</b>	<b>(1.0)</b>	
<i>Footnote on Graduate Student Support by Category, All Departments Above</i>						
	<i>Assistants in Instruction</i>	<i>50.3</i>	<i>54.1</i>	<i>56.9</i>	<i>2.8</i>	<i>5.2%</i>
	<i>Assistants in Research</i>	<i>69.1</i>	<i>77.6</i>	<i>85.3</i>	<i>7.8</i>	<i>10.0%</i>
	<i>Graduate Fellowships</i>	<i>177.1</i>	<i>182.5</i>	<i>192.9</i>	<i>10.4</i>	<i>5.7%</i>
	<i>Total Graduate Student Support</i>	<i>296.5</i>	<i>314.2</i>	<i>335.1</i>	<i>21.0</i>	<i>6.7%</i>

## NOTES TO SUMMARY TABLES

### Revenue

1 Investment Income Operating Budget. This line includes income earned from investments, mainly the University's endowment, as well as income from external trusts and faculty and staff loans. The estimate reflects the recommended 5.0% increase in endowment payout per unit for FY2025 and the effect of typical levels of new gifts to endowment principal. Overall operating budget investment income is projected to increase \$89.4 million, to \$1.77 billion, and provide half of the total increase across all gross operating revenue sources. Minimal growth is projected for external trusts and other investment income streams that are not governed by the University's endowment spending rule.

2, 3 and 4 Tuition-Undergraduate and Graduate. Total tuition revenue is projected to grow by 6.5%, the combined result of the provisional 4.50% tuition rate increase; addition of 125 undergraduate students toward the 450-student, third-year expansion target; and 30 more graduate students, following typical recent growth patterns. Revenue is presented at gross, before deduction of tuition and other forms of undergraduate and graduate student aid (see undergraduate financial aid, expense line 3, and the total graduate student support footnote on page 2 of the expense summary table).

5 Other Student Fees. Other student fees, primarily for summer study abroad, grow by a larger-than-normal inflator as summer activity returns fully to pre-pandemic levels.

6 Grants & Contract Revenue. Direct and indirect expenses of main campus sponsored research are projected to grow by 5.5% while sponsored expenditures at the Princeton Plasma Physics Laboratory are projected at a 5.7% increase for FY2025. Overall growth in this line is projected at 5.4% non-sponsored grant and contract revenue, including student aid revenue such as Pell Grants, do not normally increase appreciably.

7 Gift Revenue. This line includes unrestricted Annual Giving and expendable gifts for specific departmental programs, research, and other initiatives. Unrestricted Annual Giving gifts—about 58% of the total—are assumed to grow by 5.0%; departmental and program gifts are estimated to increase by 2.0%.

8 Housing, Dining, Rental, & Event Income: This line's growth includes the effect of the recommended 4.5% rate increases for undergraduate room and board contracts, as well as expansion-related changes in undergraduate enrollment. Faculty, staff, and graduate apartment revenue incorporates the provisional 4.0% rate increases. Overall income for the category is pulled up to 5.2% by continuing rebound of event-related and summer camps and conference revenue in FY2025.

9 Other Income. This line includes income in sale-of-service units, recharge centers, as well as royalties and miscellaneous other external revenue streams.

11 Transfers (to)/from balances and non-operating. The transfers to non-operating portion of this line includes an allocation to cover working capital taxable debt service and reserves, investments of

spendable balances in quasi-endowment principal, and departmentally funded capital project activity; the latter two categories fluctuate significantly from year to year.

This line also records net balance changes on departmental funds. The largest categories are additions to endowment balances held for spending in future periods and faculty research and other specially designated internal fund balances, including committed but not expended faculty recruitment and retention allocations. Expendable gifts awaiting expenditures on specific programs and purposes in future years also are recorded here. Relatively limited balance accumulation is expected in FY2025, as departments have resumed pre-pandemic levels of travel, events, and other activities. Central strategic balances decline a bit as some are directed to help cover the recent increases in undergraduate student financial aid that exceed available restricted financial aid funds until endowment resets and new gifts reduce the gap to more typical levels.

### Expense

An appropriate share of the salary pools recommended by the Priorities Committee appears on each line except 2, 3, 4, 13, 14, 15, and 16. The exception lines are student aid and capital budget allocations, as well as the Princeton Plasma Physics Laboratory, which operates under its own budget-setting process.

1 Academic Departments. The 6.4% academic department increase reflects planned changes in faculty staffing levels, including new faculty positions supported by gift and endowment income, as well as the salary increases recommended for faculty, technical/research, and administrative staff in these departments. The tuition component of graduate student teaching and research assistantships rises in line with the proposed 4.50% tuition increase, while the stipend portion increases by the recommended 4.25% rate increase. The increase also includes inflationary adjustments to academic departmental budgets and projected expenditure growth in departmentally managed gift, endowment, and internally designated funds, such as those for faculty research, recruitment, and retention.

2 Princeton Plasma Physics Laboratory. Estimated expenditures at the Laboratory increase, funded almost solely by increased externally funded research contracts.

3 Financial Aid - Undergraduate. The 7.8% increase from FY2024 reflects the recommended 4.5% growth parameter for student charges, and a 117-student increase in the aid population. The estimated average scholarship rises 4.5%, to \$74,380. Endowment/trust fund income restricted for scholarships is growing at just over 5% as a result of the recommended new payout inflator assumption and the effect of new scholarship endowment gifts. With scholarship expense continuing to grow more quickly than endowment payout from restricted financial aid funds in FY2025, the percentage of the aid budget supported by these endowments will be lower than in recent years, at 71%. \$64 million is expected to fall on the General Fund—23% of the total. Government, gift, and outside aid funds, which normally see little to no growth, support the other 6% of the \$279 million total.

4 Financial Aid - Graduate. This line includes only graduate aid expenses charged to the Graduate School—most graduate student expenses are recorded directly in academic departments, line 1. As indicated in the “Footnote on Graduate Student Support by Category,” graduate student support across all departments is projected to increase by 6.7%, the result of 4.5% rate increases for combined tuition

and student health charges, 4.25% increases in stipend rates, and an estimated 30 additional graduate students. Approximately 23% of the total is charged to departmental restricted and designated funds, and 12% to outside grants, primarily sponsored research. The remaining 65% is projected to fall on the General Fund.

5 University Library. Reflects normal inflationary adjustments (including a 5% increase in the acquisitions budget) and an appropriate share of the HR staff and DOF library staff recommended salary pools.

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. FY2025 includes significant new spending related to the opening of the new building.

8 Academic Administration and Student Services. Includes the Deans of the Faculty, College, Graduate School, Religious Life, and Undergraduate Students; the offices of the Provost, Admission, and Financial Aid; the Vice President for Campus Life, Career Services, and University Health Services; and other offices primarily devoted to central support of the academic mission.

9 Athletics. Includes activity for varsity and recreational sports as well as Friends groups.

10 General Administration and Expenses. This includes central business functions such as the offices of the President, Provost, Executive Vice President, Human Resources, General Counsel, Vice President for Finance and Treasurer, Development, Public Safety, and the like. Other central costs such as certain employee benefits and disability expense not allowed in the federally approved benefits pool also are recorded here.

11 Facilities Services. Staff and operating expenses directly associated with the operating 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, Conference and Event Services, and Transportation Services. Most of the revenues associated with these units are shown under Revenue line 8.

13 Total Expense Before Allocations. Direct operating budget expense, before annual allocations to help fund the capital budget.

14 Total Allocations to Capital Budget. This row reports regular transfers from the Operating Budget to the Capital Budget, to help cover the costs of new construction, major maintenance, and renovation projects, including debt service on previous such projects. This row also includes additional allocations to the Capital Budget, to augment Capital Plan II, from the central payout earmarked in the Strategic Co-Investment Pool.