



# **PRINCETON UNIVERSITY**

## **REPORT OF THE PRIORITIES COMMITTEE TO THE PRESIDENT**

**Recommendations Concerning the  
Operating Budget for 2025-2026**

**March 20, 2025**



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**Jennifer Rexford**  
*Provost*

April 28, 2025

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

Dear President Eisgruber,

I am presenting the annual report of the Priorities Committee, with recommendations for the University's operating budget for fiscal year 2025-26 (FY2026). A significant portion of the committee's work was completed before the federal government announced substantial reductions to sponsored research funding. These actions -- coupled with recent economic volatility, tariff hikes, and a possible increase to the tax on university endowments -- might have a significant adverse impact on the University's operating budget in the coming fiscal year and into the future.

The Priorities Committee report outlines the main budget parameters recommended by the Priorities Committee and approved by the Board of Trustees in their March 2025 meeting. We integrated these parameters into the operating budget, alongside typical trends in government research funding and historic rates of growth in expenses. These estimates always have some uncertainty, but we expect more variation than usual given the challenges created by recent government actions, including the suspension and termination of some of our grants. As federal research funding decreases (due to suspended and terminated grants, as well as fewer new grants), we anticipate lower research expenses as faculty members adjust their research activities. We also expect that covering a higher portion of these research expenses may be offset in part by other sources available at the faculty, departmental, and central levels in the short term. While not sustainable for the long term, this shift in funding sources is necessary to respond to the abrupt decrease in federal funding while supporting our academic research mission, as well as our students, researchers, and faculty.

In response to the financial uncertainty, we also recently imposed significant limits on faculty and staff hiring, and on non-personnel expenses in both administrative and academic units. These decisions will also lower operating expenditures in the year ahead. We will inform the Board about our updated budget projections as we gain a better understanding of the federal research funding landscape, any endowment tax increase, and the results of our efforts to curb spending. Next fall's Priorities Committee

will analyze the changes in the projected FY26 operating budget as we continue budget planning for the future.

I am grateful to my colleagues on this year's Priorities Committee, who devoted significant time and energy to our work together. I also extend thanks to the University administrators who supported the Committee in its work, including Richard Myers, Steve Semenuk, and Timothy Tayler, 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, reading "Jennifer Rexford". The signature is fluid and cursive, with the first name "Jennifer" and last name "Rexford" clearly legible.

Jennifer Rexford, Provost  
Chair, Priorities Committee

**The Committee**

Jennifer Rexford, Provost (Chair)  
Katie Callow-Wright, Executive Vice President  
Athena Clendaniel, Undergraduate Student  
Kelsey Hatzell, Associate Professor of Mechanical and Aerospace Engineering  
Brooke Holmes, Professor of Classics  
Carlisle Imperial, Undergraduate Student  
Gene Jarrett, Dean of the Faculty  
Camila Llerena-Olivera, Graduate Student  
Tania Lombrozo, Professor of Psychology  
Jim Matteo, Vice President for Finance and Treasurer  
Nolan Musslewhite, Undergraduate Student  
Nikila Naidu, HR staff member, University Services  
Laurence Ralph, Professor of Anthropology  
Dennis Schaefer, Graduate Student  
Bartolomeo Stellato, Assistant Professor Operations Research and Financial Engineering  
Jared Toettcher, Associate Professor of Molecular Biology  
Veronica Zhang, Undergraduate Student

**Meeting with the Committee**

Steve Semenuk, Assistant Vice President for Planning, Budget, and Analysis  
Timothy Tayler, Associate Provost for Budget Planning

## Table of Contents

I.	INTRODUCTION	6
II.	BUDGETARY BACKGROUND	6
III.	RECOMMENDATIONS AND ASSUMPTIONS	
	<i>A. INVESTMENT INCOME</i>	8
	<i>B. STUDENT CHARGES</i>	8
	<i>C. SPONSORED RESEARCH &amp; OTHER GRANTS</i>	9
	<i>D. OTHER REVENUES</i>	10
	<i>E. UNDERGRADUATE FINANCIAL AID</i>	10
	<i>F. GRADUATE FELLOWSHIPS AND STIPENDS</i>	11
	<i>G. SALARY POOLS</i>	12
	<i>H. ALLOCATIONS TO THE CAPITAL BUDGET</i>	14
	<i>I. OUTLOOK FOR THE FUTURE</i>	14
IV.	APPENDICES	16

## 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 FY2026, 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 mid-January to review a preliminary set of recommendations for student charges, salary pools, and other budget parameters, and finished out the FY2026 cycle with discussions of graduate student stipends.

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 FY2026.

The rate and growth assumptions contained in this FY2026 budget mark a return to more typical annual increases following a three-year period of atypically high growth stemming from strategic investments in new operating programs and policy changes; rebound from the valley of pandemic-dampened activity; and the recent period of higher inflation and labor market adjustments. With core inflation and salary growth indices below the levels seen in the preceding three years, next year's compensation and aid parameters fall much closer to the rates normally seen in Princeton's pre-pandemic budgets. Projected FY2026 expense and allocations total \$3.47 billion, a 5.5% increase on the projected FY2025 totals.

Excluding student financial support and allocations to the capital budget, “core expense” rises by an estimated 4.6% under these budget parameters.

Student financial support grows at higher rates due to continued enrollment growth and policy-driven increases in the percentage of aided undergraduate students. Undergraduate scholarship grants rise by 8%, and graduate student support by just over 7%, pushing total student financial support toward the \$700 million mark.

On the sources side of the budget, rate parameters settle into longstanding ranges, with the 5% payout inflator assumption (PIA) matching the standard in place from FY2001-FY2016, student fee increases on their FY2016-FY2020 average, and other sources growing near their historical patterns. The remainder of this report explores each of the following primary budget parameters in greater detail.

<b><i>Key Budget Parameters</i></b>	<b>FY2025</b>	<b>FY2026</b>
Undergraduate Student Charges	4.50%	4.50%
Endowment Payout Increase	5.00%	5.00%
Graduate Apartments*	4.00%	3.00%
Faculty/Staff Housing	4.00%	3.00%
Faculty Salary Pools**	5.80%	4.75%
Staff Salary Pools**	4.85%	3.50%
<i>Graduate Stipends</i>		
Fellowship Stipend	4.25%	3.20%
AR Stipend	4.25%	3.20%
AI Stipend	4.25%	3.20%

\*Graduate dorms/annexes to increase 2.0% in FY2026

\*\*Faculty/staff promotion & reclassification pools of 1.75% & 0.50%, respectively

<b><i>Employee Benefit Rates</i></b>	<b>FY2025</b>	<b>FY2026</b>
Base Department	28.90%	29.50%
Academic Department	36.40%	37.90%

<b><i>Major Expense Category</i></b>	<b>Amounts in \$M</b>		<b>% Change</b>
	<b>FY2025</b>	<b>FY2026</b>	
Core Expenses	1,948.7	2,038.4	4.6%
Undergraduate Scholarships	282.8	305.5	8.0%
Graduate Student Support	340.5	364.6	7.1%
PPPL Expense	232.0	252.9	9.0%
Allocations to Capital Budget	483.0	507.2	5.0%
<b>Total Operating Budget</b>	<b>3,287.2</b>	<b>3,468.6</b>	<b>5.5%</b>

*Current projections for FY2025 and FY2026*

### **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 any other operating revenue streams. Even before factoring in the additional payout generated by new gifts to endowment and other principal investments, payout-per-unit rose by compound average growth rates of 6.1% and 6.4% over the past twenty and ten years, respectively, driven by five special upward payout base adjustments above the 5% standard PIA that prevailed from FY2001 through FY2016.

In the last five years, the compound annual payout growth rate fell to 3.4% because of the 4% payout inflator increases in FY2020 and FY2022-FY2024 bookending the 0% payout increase set for FY2021 at the height of concern about the pandemic's worldwide economic impact on investment returns. On the heels of this recent period of slower payout growth, Princeton's trustees approved resumption of a 5.0% PIA in FY2025. The recommended budget for FY2026 assumes continuation of that standard annual payout-per-unit increase. Continued application of this annual growth parameter will return the 10-year payout-per-unit CAGR to 4.2% by FY2030.

As reported last year when reversion to a 5% PIA standard was under discussion with the Board, the 5% PIA is not causing undue pressure on the endowment's spending rate at this time. The spending rate remains well within the current trustee-approved endowment spending rate policy range that spans from a 4.00% lower bound to a 6.25% upper bound. In the three years following the historic 46.9% endowment return in FY2021, which momentarily dropped the University's spending rate to 4.1% in FY2022, the spending rate now has returned to the 5.4% range that prevailed in the four-year period prior to the chart-breaking FY2021 return. Under standard endowment return assumptions, the 5.0% PIA is expected to result in spending rates that would average to 5.5% over the FY2025-FY2029 period. Although the spending rate is projected to remain in an acceptable range with the 5% PIA and current performance assumptions, it does not have enough headroom in the current outlook to warrant a special upward payout base adjustment in the next few years. As a result, budget planning will need to assume baseline payout growth in the low five-percent range in the near-to-mid-term.

Total investment income flowing to the operating budget (including modest amounts from other non-endowment investments such as external trusts) is projected to increase by \$93 million, to \$1.87 billion, in FY2026. In addition to the increase provided by the proposed 5.0% per-unit payout inflator, this growth also includes payout from expected new endowment gifts.

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

Princeton's total undergraduate student charges have been the lowest among the Ivy-Plus group in all but a handful of years in the quarter century since 2000. Princeton's charges this fiscal year are approximately \$5,000, or 6%, lower than the median of the Ivy-Plus group and \$26 lower than the next closest peer. Ever attentive to the cost billed to families who do not qualify for financial aid, Princeton remains committed to ensuring that its educational opportunities are affordable for all families, including those on the upper edges of financial aid eligibility.

Princeton strives to keep its fee package growth in line with rates of increase in its cost base maintain budget equilibrium and balance of funding sources over time. Artificially low fee package increases are



not the main ways that Princeton aggressively pursues affordability and accessibility for its students. This would increase the implicit subsidy between the cost of education and the billed cost of attendance. Rather, Princeton's "stay-even" financial aid policy, reviewed below, ensures that families who need financial assistance do not face the impact of recommended annual fee package increases.

The Priorities Committee recommends a 4.5% increase to student charges for FY2026, applied evenly across tuition, room, and board rates; this is same rate of increase that the Board approved for FY2025. The Committee's recommended fee package rate increase nearly approximates the core expense growth rate and maintains undergraduate student revenue's relative share of the University's operating resources. The recommended 4.5% increase will continue to position Princeton amongst the lowest quartile of student charges in the Ivy-Plus group, following previously established guidance from the trustees. Under this recommendation for FY2026, total student charges would increase by \$3,730, to \$86,380, including \$65,210 for tuition, \$12,450 for room, and \$8,720 for board. As a sensitivity factor, consider that the difference between a 4.0% and 4.5% increase is only \$413 for a non-aided undergraduate student.

The FY2026 budget marks the fourth and final year of the planned expansion of the student undergraduate student population that was enabled by the opening of Yeh College and New College West under the Strategic Framework. Princeton expects to reach an undergraduate population of 5,800 in FY2026, five hundred students above the average pre-expansion enrollment base. Gross academic year undergraduate tuition revenue will increase by \$21.0 million, or 6.0%, to \$371.0 million, while undergraduate room and board contract revenue will grow by 5.9%, or \$5.3 million, to \$94.4 million. This results in projected total undergraduate student revenue of \$465.4 million, before financial aid.

Princeton's Board of Trustees approved a summer tuition rate of \$3,500 beginning in FY2025 because of the need to package financial aid for those students who take summer credit-bearing courses at Princeton. Because the summer term lags by one fiscal year, Princeton follows the convention of increasing each summer's tuition rate by the Trustee-approved rate of increase in regular academic year tuition for the preceding fiscal year. As such, the summer 2025 tuition rate (beginning of FY2026) will increase by 4.5%, to \$3,660.

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

After investment income, research grant and contract revenues represent the largest remaining share—18 percent—of gross operating revenues. Research grants and contract revenues are projected to reach \$620 million for FY2026, a 6.2% 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 FY2026 includes \$279 million of direct cost awards for sponsored research on main campus and \$242 million at the Plasma Physics Lab, \$84 million of indirect cost recoveries, and \$15 million of grants and contracts for non-research purposes.

Federal government agencies provide the largest share of research grants and contract awards to Princeton, accounting for 85 percent of the spending in FY2024. The Department of Energy, National Science Foundation and the National Institutes of Health provided \$381 million of the \$450 million total from government sources for research. Foundations and industry/private sources supported the remaining 9 percent and 6 percent, respectively, of total grant and contract revenue.

## D. Other Revenues

Under the rate increases recommended here, housing, dining, and event income will see estimated growth of 4.9% and contribute 4% of the total operating inflows.

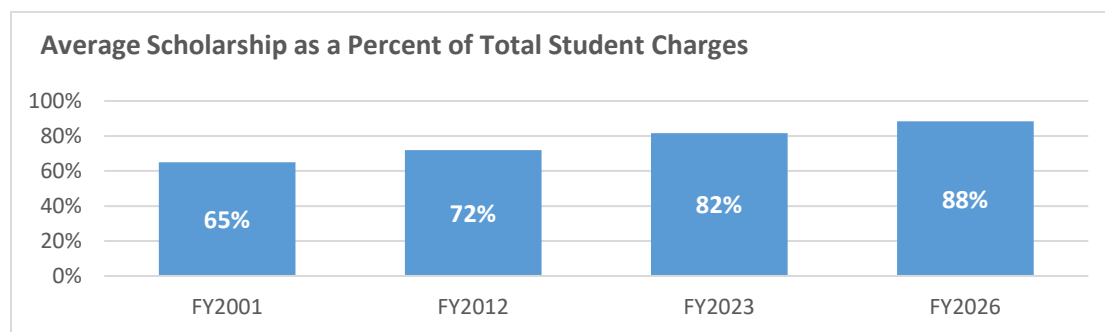
Annual Giving and various restricted departmental gifts typically provide about 4% of total annual gross revenue and are projected to grow a bit under 3% for FY2026. Departmental gifts are quite lumpy across years, and with some large receipts in FY2025, the expected year-over-year change for FY2026 is slightly dampened.

Royalties, commercial rents, and miscellaneous other income streams produce the remaining 3% and are expected to grow by less than 3% for FY2026.

## E. Undergraduate Financial Aid

Significant trustee-approved changes<sup>1</sup> in undergraduate financial aid policy became effective in FY2024. Along with regular changes such as fee package increases, this helped to lift the average scholarship grant by nearly 14% in FY2024, to just over \$73,000.

These transformative financial aid packaging changes are evident in the marked uptick in the ratio of average scholarship to total student charges, plotted in the following chart. In FY2002, the average scholarship grant covered 65% of total student charges, rising to 72% by 2012. The same ratio now approaches 90% for FY2026. Given that this metric represents the whole aid population, it is important to note that many students receive a scholarship grant that covers all billed student charges as well as other computed costs of attendance. After the most recent policy change, about 25% of the undergraduate student population does not pay any charge to attend Princeton.



Given that this major policy change applied to all aided students immediately, the main effect of the change was seen all at once in FY2024; subsequent scholarship expense budget increases more closely match regular changes in the fee package. For FY2026, we expect the average scholarship to increase by an estimated 4.5%, reflecting the “stay-even” scholarship policy that adjusts grants to match the change in student charges.

Changes in the financial aid methodology not only provided larger grants to students in lower family income ranges, but also significantly shaved the expected family contribution for families at the higher

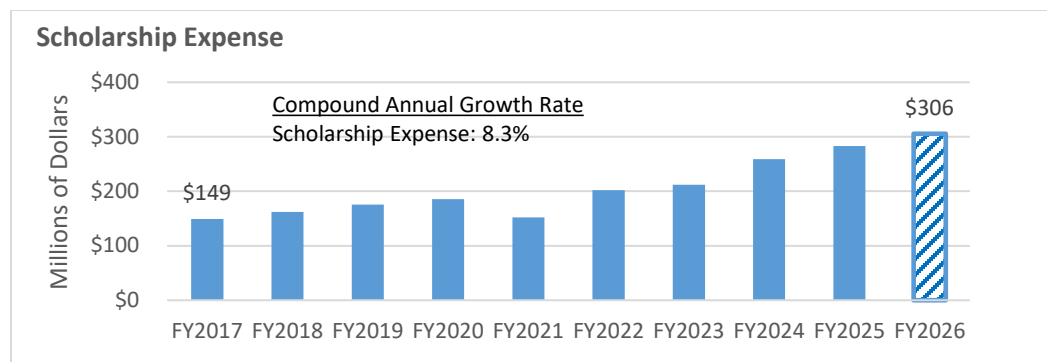
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<sup>1</sup> Including elimination of the expected student contribution toward the cost of attendance; simplification of aid calculation methodology; and a more generous personal and book allowance.

reaches of national income distribution<sup>2</sup>. This policy change and continuing efforts to increase the socioeconomic diversity of Princeton’s undergraduate student population have lifted the overall percentage of students receiving financial aid to nearly 68% in FY2025, up from 62% in FY2023. With more than 70% of the entering class now receiving financial aid, the overall aided percentage will climb toward 70% next fiscal year. Though the number of scholarship recipients is never certain until after students have enrolled and obtained aid package updates in the fall, we currently estimate that 4,060 of 5,800 undergraduate students will receive financial aid next fiscal year.

Supported by a variety of sources, scholarship grants are projected to increase by about \$23 million, or 8.0%, next year—\$13 million more due to the stay-even policy that adjusts grants with changes in student charges, and \$10 million more due to the continuing increase in the number of students receiving financial aid. The projected budget anticipates that 131 more undergraduates will receive financial aid in FY2026 than in the current year.

Assuming the proposed 5% increase in payout per unit and additional payout from typical levels of new scholarship endowment gifts, endowments specified for financial aid will cover an estimated 68%, or \$207 million of the \$306 million FY2026 scholarship total. Outside scholarships, governmental grants, and other miscellaneous funds offset \$17 million, or 5% of the total. This leaves the General Fund<sup>3</sup> to cover the remaining 27%, or \$82 million, with support from Annual Giving, flexible endowments, and other unrestricted sources. Since FY2024, the relative and absolute amounts of scholarship grants borne by the General Fund stand at much higher levels than in prior years due to the change in aid methodology that commenced that year and other efforts that have significantly lifted the number and cost of scholarship grants. We expect that the resulting pressure on the General Fund will moderate over time by continued support from Annual Giving, central teaching and unrestricted endowments, and accelerated scholarship fundraising as part of the Venture Forward campaign.



## F. Graduate Fellowships and Stipends

The Priorities Committee endorses the Graduate School’s recommendation of 3.2% increases for all categories of graduate stipends for FY2026. This follows the Trustee-approved re-positioning of Princeton’s graduate-student stipends in FY2023, with stipend increases that averaged 26% above the

<sup>2</sup> US household incomes at or above \$200,000 are in the top 14% of the US income distribution in recent years. Princeton offers substantial financial assistance even to families in the \$200K-\$300K range.

<sup>3</sup> Primary central fund of the University, which pools unrestricted (e.g., unrestricted endowments, Annual Giving, auxiliary income, indirect cost recoveries) and generally restricted sources (e.g., flexible departmental endowments, professorships, etc.).

prior year. Subsequent increases of 5.0% and 4.25% in FY2024 and FY2025, respectively, responded to continuing post-pandemic inflationary pressures and maintained Princeton's strong competitive position.

The proposed rate increases are intended to ensure that Princeton maintains its competitive stipend position and help graduate students continue to meet changes in local costs of living. Local rental rate increases are a primary component in Princeton's market basket of annual graduate student affordability studies. In 2024-25, the Graduate School's cost-of-living estimate increased by 2% due primarily to the Meadows apartments coming on-line at lower-than-market rates. With this additional 604-bed capacity added to the on-campus housing mix (which historically has been about 20% below market rate), average estimated housing cost growth contributed to a lower overall increase in the cost of living than in the two prior years. With planned FY2026 graduate student apartment and dormitory rate increases of 3% and 2%, respectively, and CPI-U running below 3%, the recommended stipend increases should provide sufficient coverage for living expense increases.

With this background in mind, the recommended 3.2% increase would raise:

- the 12-month University fellowship stipend from \$49,920 to \$51,516
- the 12-month Assistantship in Research (AR) stipend from \$52,536 to \$54,216 and
- the 10-month Assistantship in Instruction (AI) stipend from \$45,970 to \$47,440 (most such students also will earn average summer stipends that bring their 12-month total to \$56,476).

Under the tuition and stipend recommendations that the Committee offers for your consideration, combined with expected changes in graduate student enrollment, total graduate student financial support will reach an estimated \$365 million in FY2026, a 7.1% increase.

Approximately 65% of the graduate support package falls on the central General Fund; 23% on departmentally managed gift, endowment, and designated funds; and 12% on sponsored research and other grants and contracts.

Viewed from a different angle, in terms of type of support, about 58% is provided to students when receiving fellowships, 17% when students are serving as Assistants in Instruction (AIs); and 25% when serving as Assistants in Research (ARs). As part of the instructional costs of the university, essentially all AI support falls on the General Fund. This central fund also covers about 65% of the fellowship and 40% of the AR totals that are not covered by departmentally managed and/or grant and contract funds.

## **G. Salary Pools**

In their reports to the Priorities Committee, the Offices of the Dean of the Faculty and the Vice President for Human Resources noted trends in salary and wage growth rates that are approaching but still not fully reverted to their pre-pandemic averages. Both offices 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.

Although Princeton's salary increase process relies heavily on salary and wage market data, not direct employee cost-of-living formulas, sensitivity to general inflation remains a consideration and concern

when recommending parameters for Princeton's compensation growth. This fall marked the first time in the last four PriCom cycles where CPI-U was below 3%. The nation's CPI-U continued a steady downward slope over the past year. CPI-U stood 3.0% higher than its mark a year ago, as of January, with indices averaging in the 2.7% range since August.

While CPI dominates as the headline figure, the Employment Cost Index (ECI) is more influential in discussions of Princeton's salary increase factors. The ECI measures the change in labor costs over time across industrial sectors. This reflects how employers translate inflation and other economic factors into their decisions about compensation levels. Princeton treats the ECI as a more direct measure of general salary market movements than the Consumer Price Index when setting its own personnel cost rate inflators. ECI growth for private civilian workers fell to 3.9% in the latest available update this fall, well below the 4.6% recorded at this time last year and 5.1% the year before.

Considering the foregoing trend information and analysis from the overseeing cabinet officers, the Committee recommends the following FY2026 rate increases for salaries and FY2026.

### ***Staff Salaries***

The Priorities Committee endorses the Vice President for Human Resources' recommendation for an overall 3.5% increase to the FY2026 salary pool for non-union staff. This includes a basic staff merit and special allocation pool increase of 3.0%, and a promotion and adjustment pool increase of 0.5%. As usual, the latter portion supports reclassifications of existing positions, equity adjustments, retentions, and other pay adjustments that apply to only a small percentage of staff salaries and wages.

While continuing to trend downward, external labor market and inflation measures, such as CPI and ECI, remain slightly above pre-pandemic marks. The four survey sources that the Office of Human Resources uses to gauge market increases report an average projected increase of 3.6% for FY2026. Princeton's merit pool recommendations were above the survey average in FY2022-FY2025.

Higher increases in recent years allowed Human Resources to re-align with market rates those job categories that faced significant market pressures after the pandemic. Following the continued larger-than-normal reclass and market adjustments in the two previous years, the 0.50% reclassification and special market adjustment pool increase recommended for FY2026 should be sufficient to address the more typical level of adjustments now anticipated.

The basic pool recommendation for FY2026 reapproaches the average 2.9% annual increase that prevailed for fifteen years prior to the pandemic and adds an estimated \$17 million to the General Fund budget, including estimated internal recovery charges to cover the employee benefits pool.

## ***Faculty Salaries***

According to available data and more informal signals, Princeton's faculty salaries remain competitive, positioned at or near the top compared to peers. 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 the available market position provided by the Dean of the Faculty, the Priorities Committee supports his recommendation to increase the faculty salary pool by 4.75% for FY2026. This increase is still slightly above the 4.4% average annual total pool increase that prevailed for fifteen years before the pandemic. The proposed DOF pool consists of a 3.00% increase in the "basic salary pool" equal to that for HR-governed staff, plus a 1.75% for promotions, retentions, and other special adjustments. As always, the updated budget next fall will adjust the faculty promotion and retention pool during the year if the Dean of the Faculty notes any unexpected surge in salary adjustments for retention needs. A portfolio of other non-salary retention and recruitment incentives are important, separately budgeted tools in maintaining and attracting the highest caliber faculty. The recommended basic faculty salary pool rate change adds an estimated \$10 million to the General Fund budget, including estimated internal recovery charges to cover the employee benefits pool at the higher rate included in the FY2026 federal rate proposal.

## **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 FY2026, the amount transferred from the operating to capital is projected to increase to \$507 million, from \$483 million in FY2025. These transfers have more than doubled since FY2018, in support 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 opening of the Meadows graduate student housing and new athletics complex, Class of 1986 Health and Wellness Center, and the Frist Health Center in the last year. In FY2026, the campus will see more major openings, including much of the new Engineering campus along Western way and the new Art Museum. Looking beyond FY2026, work is progressing on conversion and expansion of Guyot Hall into Schmidt Hall to serve as the new home for Computer Science and other data science-related units, the completion of Hobson College, and a number of other residential, academic, and campus infrastructure/sustainability construction and renovation projects.

## **I. Outlook for the Future**

The projected growth of next year's operating budget by 5.5% overall and 4.6% for core expense signals a notable moderation in expense growth after several years of significantly higher growth resulting from significant strategic investments, expansion of the student population and financial aid, pent-up activity following the pandemic, and a prolonged period of labor market and other inflationary pressures. With

internal sources projected to rise at or below 5.3% annually for the next few years, this return to more typical base expense growth rates is necessary to ensure that source and use trends align in the near term.

The previously mentioned low probability of an endowment payout base reset over the next few years to lift endowment payout above the standard 5% inflator reinforces the lower expense growth rate recommendations contained here. This also signals the continued importance of philanthropy, fiscal prudence, and cost-saving initiatives to provide the additional resources needed to maintain Princeton's leadership in teaching, research, and student support.

## IV. Appendices

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

	(a) FY24 Actual Final	(b) FY25 Budget Current	(c) FY26 Projected	(c) - (b) 26 Proj. v. 25 Bud. \$ Chg.	(c) / (b) 26 Proj. v. 25 Bud. % Chg.
<b>Revenue and Transfers</b>					
1 Investment Income Operating Budget	1,689.4	1,774.5	1,867.4	92.9	5.2%
2 Tuition-Undergraduate	331.1	352.5	373.5	21.0	6.0%
3 Tuition-Graduate	159.0	171.6	185.6	14.0	8.2%
4 Total Tuition	490.1	524.1	559.1	35.0	6.7%
5 Other Student Fees	3.4	3.6	3.6	0.1	2.0%
6 Grants & Contract Revenue	543.3	583.5	619.8	36.3	6.2%
7 Gift Revenue	93.8	129.2	132.8	3.6	2.8%
8 Housing, Dining, Rental, & Event Income	124.7	139.7	146.5	6.8	4.9%
9 Other Income	123.7	99.8	102.7	2.9	2.9%
10 Transfers (to)/from balances and non-operating	7.7	33.0	36.8	3.8	11.6%
11 <b>Total Revenue and Transfers</b>	<b>3,076.2</b>	<b>3,287.2</b>	<b>3,468.6</b>	<b>181.4</b>	<b>5.5%</b>
<b>Footnote on Annual Giving</b>					
Annual Giving-Gifts	52.6	69.7	71.8	2.1	3.0%
Annual Giving-Endowment Payout	10.7	10.0	10.3	0.3	3.4%
<b>Annual Giving Gifts and Endowment</b>	<b>63.3</b>	<b>79.7</b>	<b>82.1</b>	<b>2.4</b>	<b>3.0%</b>



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

		(a) FY24 Actual Final	(b) FY25 Budget Current	(c) FY26 Projected	(c) - (b) 26 Proj. v. 25 Bud. \$ Chg.	(c) / (b) 26 Proj. v. 25 Bud. % Chg.
<b>Expense and Allocations</b>						
1	Academic Departments	1,260.7	1,358.0	1,433.8	75.8	5.6%
2	Princeton Plasma Physics Laboratory	210.5	232.0	252.9	20.9	9.0%
3	Financial Aid - Undergraduate	258.9	282.8	305.5	22.7	8.0%
4	University Library	83.8	88.4	92.0	3.5	4.0%
5	Office of Information Technology	83.4	88.7	92.5	3.8	4.3%
6	University Art Museum	28.5	31.2	32.5	1.3	4.0%
7	Academic Admin. and Student Services	192.0	192.2	199.6	7.4	3.8%
8	Athletics	50.7	53.4	55.6	2.2	4.2%
9	General Administration & Univ. Expense	194.5	209.0	216.8	7.7	3.7%
10	Facilities Services	161.2	176.2	184.5	8.3	4.7%
11	University Services (Housing, Dining, Other)	84.2	92.3	95.9	3.6	3.9%
12	<b>Total Expense Before Allocations</b>	<b>2,608.4</b>	<b>2,804.2</b>	<b>2,961.4</b>	<b>157.2</b>	<b>5.6%</b>
13	<b>Total Allocations to Capital Budget</b>	<b>470.2</b>	<b>483.0</b>	<b>507.2</b>	<b>24.2</b>	<b>5.0%</b>
14	<b>Total Expense and Allocations</b>	<b>3,078.6</b>	<b>3,287.2</b>	<b>3,468.6</b>	<b>181.4</b>	<b>5.5%</b>
15	<b>Transfer To Later/ (From) Prior Periods</b>	<b>(2.4)</b>	<b>0.0</b>	<b>(0.0)</b>	<b>(0.0)</b>	
<i>Footnote on Graduate Student Support by Category, All Departments Above</i>						
	<i>Assistants in Instruction</i>	<i>55.3</i>	<i>59.5</i>	<i>62.8</i>	<i>3.3</i>	<i>5.5%</i>
	<i>Assistants in Research</i>	<i>75.3</i>	<i>84.5</i>	<i>95.7</i>	<i>11.2</i>	<i>13.3%</i>
	<i>Graduate Fellowships</i>	<i>185.2</i>	<i>196.5</i>	<i>206.1</i>	<i>9.6</i>	<i>4.9%</i>
	<i>Footnote: Graduate Std. Support in Depts. Above</i>	<i>315.7</i>	<i>340.5</i>	<i>364.6</i>	<i>24.1</i>	<i>7.1%</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 FY2026 and the effect of typical levels of new gifts to endowment principal. Overall operating budget investment income is projected to increase \$92.9 million, to \$1.87 billion, and to provide just over 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 6.7%, the combined result of the recommended 4.50% tuition rate increase; addition of 86 undergraduate students (to complete the 500-student, four-year expansion target to 5,800 students by FY2026) and 100 more graduate students, following typical recent growth patterns, including "trailing" graduate students who follow new faculty rather than entering through the normal admission process. 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 historical growth trend.

6 Grants & Contract Revenue. Direct and indirect expenses of main campus sponsored research are projected to grow by 4.3% while sponsored expenditures at the Princeton Plasma Physics Laboratory are projected at a 9.4% increase for FY2026, reflecting continued activity growth with the rebounding NSTX-U project. Overall growth in this line is projected at 6.2% after factoring in non-sponsored grant and contract revenues, including student aid revenue such as Pell Grants, which 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 54% of the total—are assumed to grow by 3.0%; departmental and program gifts are estimated to increase by 2.5%.

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 the final year of undergraduate population enrollment. Faculty, staff, and graduate apartment revenue incorporates the recommended 3.0% rate increases.

9 Other Income. This line includes income in sale-of-service units, recharge centers, as well as royalties and miscellaneous other external revenue streams. These accounts fluctuate significantly from year to year.

10 Transfers (to)/from non-operating. The primary components of this line are a transfer 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 do not necessarily always occur and may fluctuate markedly in amount when they do.

11 Transfers (to)/from departmental balances. This line records net income and balance increases in 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. Central strategic balances are projected to continue downward 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

Appropriate shares of the salary rate increases recommended by the Priorities Committee appear on each line except 2, 3, and 13. The exception lines are undergraduate 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 5.6% 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. As for graduate student support costs, 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 3.20% 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.

As indicated in the “Footnote on Graduate Student Support by Category,” graduate student support across all academic departments is projected to increase by 7.1%, to \$365 million, the result of 4.8% rate increases for combined tuition and student health charges (covered by university, not student funds), 3.20% increases in stipend rates, and an estimated 100 additional graduate students, including estimated graduate students who come to Princeton trailing new faculty members transferring from other institutions. 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.

2 Princeton Plasma Physics Laboratory. Estimated expenditures are funded almost completely by increased externally funded research contracts and projects, and growth here is projected to continue at higher rates than on the main campus.

3 Financial Aid - Undergraduate. The 8.0% increase from FY2025 reflects the recommended 4.50% growth parameter for student charges, and a 131-student increase in the aid population, larger than the overall enrollment growth projection, because of the continuing increase in the number of students who qualify for financial aid. The estimated average scholarship rises 4.5%, to \$76,339 for FY2026. Endowment/trust fund income restricted for scholarships is growing at just over 5% as a result of the recommended 5% 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 FY2026, the percentage of the aid budget supported by these endowments will be lower than in recent years, at 68%. \$82 million is expected to fall on the General Fund—27% of the total. Government, gift, and outside aid funds, which normally see little to no growth, support the other 5% of the \$306 million total.

4 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.

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

6 University Art Museum. Includes all curatorial, exhibition, preservation, storage, and other operating costs. FY2026 continues to have a higher level of spending than in prior years due to the opening of the new building.

7 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.

8 Athletics. Includes activity for varsity and recreational sports as well as Friends groups, including activity at the new Meadows athletics facilities and in the Class of 1986 Fitness and Wellness Center.

9 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 expenses not allowed in the federally approved benefits pool, also are recorded here.

10 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. Capital project expenditures and debt service thereon are capital budget costs, not recorded in the Facilities operating budget.

11 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.

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

13 Total Allocations to Capital Budget. This row records report 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. Augmented allocations above baseline for Capital Plan II also are included in this line.