Princeton University

REPORT OF THE PRIORITIES COMMITTEE

TO THE PRESIDENT

Recommendations Concerning the Operating Budget

for 2007 – 2008

January 12, 2007

Princeton University

OFFICE OF THE PROVOST

January 12, 2007

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

Dear President Tilghman:

The accompanying annual report of the Priorities Committee presents our recommendations for the University's operating budget for fiscal year 2007-2008 (FY08). We are proposing a balanced operating budget for FY08. As you know, this has been both an exciting year for the Committee and a complex one. Thanks to the performance of the University's investments and the generosity of its alumni, the Committee had more resources to deploy this year than in recent years. At the same time, the confluence of the Trustees' approval of an increase in the University's endowment spending and the planned expansion of the undergraduate student body meant that the Committee had to contend with multiple streams of change.

The Committee's recommendations, which are explained in detail in the report, implement some important new initiatives for the University community, including a child-care benefit for employees and financial support for graduate students who bear children. At the same time, the Committee's recommendations strengthen core needs by adding to the budget for graduate student assistants in instruction and increasing funds available for special salary adjustments for faculty and staff. With help from funds made available by the Trustees through the spending rule increase, the Committee also recommends an increase in tuition and fees of 4.2%, which is lower than the previously projected rate of increase.

The Committee is grateful to all those who contributed to its work. We extend a special thanks to Budget Director Steven Gill and his staff, whose knowledge of the intricacies of the University's budgets and whose willingness to share their expertise with the Committee were invaluable, and to Vice Provost Katherine T. Rohrer, the Secretary of the Committee, whose wisdom, talent, and effort enabled the Committee to do its work efficiently and well in a difficult year.

For the Committee,

Christopher L. Eisgruber, Provost

REPORT OF THE PRIORITIES COMMITTEE

TO THE PRESIDENT

Recommendations Concerning the Operating Budget

for 2007–2008

January 12, 2007

THE COMMITTEE

Christopher L. Eisgruber, Provost (chair)

Christian Bienia *GS, Computer Science

Mark Burstein, Executive Vice President

Michael A. Celia, Professor of Civil and Environmental Engineering

Jane E. Curry, Office of Design and Construction

David P. Dobkin, Dean of the Faculty

Jeff Dolven, Assistant Professor of English

Jeffrey Dwoskin *GS, Electrical Engineering

Jonathan Hayes ’07

Elizabeth Jemison ’08

Robert A. Kaster, Professor of Classics

Antonio Lacayo ’07

Christopher McCrudden, Vice President for Finance and Treasurer

Katherine Newman, Professor of Sociology and Public Affairs, Woodrow Wilson School

Ronnie Sircar, Professor of Operations Research and Financial Engineering

Kayvon Tehranian ’08

Edwin Turner, Professor of Astrophysical Sciences

MEETING WITH THE COMMITTEE

Steven Gill, Budget Director and Associate Provost for Finance

Katherine T. Rohrer, Vice Provost for Academic Programs (secretary)

CONTENTS

I. Introduction

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

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

II. Budgetary Background

This year's Priorities Committee operated in a much more favorable set of budgetary conditions than the Committees of the previous two years. Several factors contributed to this positive development. Perhaps most importantly, the strong performance of the University's investments over the past three years led the Trustees to approve two increases to the University's rate of spending on its endowment. They approved the first adjustment in June 2006 and the second in November 2006, when the Committee was in the midst of its work. The Committee received briefings about the November change in advance of its approval so that the Committee could incorporate the change into its own work and express to the Trustees any reactions that it might have to the plan.

The two spending rule changes had different effects on the proposals that came before the Committee. The Trustees' goal for the first change was to "true up" the operating budget, transferring many continuing charges that had been supported on term funds or capital reserves to their rightful place within the operating budget. This change meant that a number of term-funded staff positions that might have been brought to the Priorities Committee for permanent funding were taken care of through the first spending rule increase. In addition, a portion of the $25 million added to the operating budget supported programmatic enhancements in information technology and the library, relieving pressures on their budgets that otherwise would have resulted in substantial requests to the Priorities Committee.

The Trustees' goals for the second change involved major investments in capital items as well as the operating budget. New funds flowing into the operating budget were directed to four critical areas of the University's mission: undergraduate education, graduate education, faculty research, and alumni affairs. With respect to undergraduate education, the Trustees allocated funds to enhance aspects of the four-year residential college program that will launch next year. They also made two improvements to the University's financial aid program: first, an increase to the upperclass board budget that will enhance the ability of students on financial aid to join eating clubs or participate in other opportunities around the University, and, second, a reduction in the number of hours that financial aid students are expected to work during term-time. Finally, the Trustees provided funds that would allow the University to suppress the anticipated increase to its fee package in the upcoming year. This allocation had a very direct impact on the work of the Priorities Committee, since it provided flexibility to the Committee to recommend more modest increases to the total fee package without losing the capacity to respond to the compelling programmatic requests pending before it.

The Trustees' improvements to the graduate program recognized that the University must maintain competitive stipend packages in order to attract the very best students. The spending rule change accordingly allocated funds for that purpose. The Trustees' plan assumed that the University would raise rates for graduate housing to match more closely the surrounding real estate market at the same time that it increased stipends, but that the stipend increase would be large enough to result in a net improvement to graduate support. In addition, the spending rule change provided some funds to support the use of Assistants in Instruction (AIs) in introductory graduate courses and to create a child-care plan for graduate students with children.

The Trustees' spending rule allocations addressed faculty research by supporting the transformation of the University's chief research officer, formerly the Chair of the University Research Board, into a Dean for Research with more proactive responsibilities for supporting research on campus. The Trustees' allocation in this area included funding to hire additional staff members to assist faculty in procuring research funds from corporations and foundations. Finally, the Trustees provided additional support for alumni affairs by adding staffing and operating funds to the Alumni Council. These funds will support alumni affinity groups, regional associations, and Reunion events.

The availability of increased endowment income from the spending rule changes was accompanied by other favorable factors in the budget. These included reduced health care costs, higher interest on current funds and loan funds, and unprecedented success in alumni Annual Giving. There was also some negative news; in particular, the University's sponsored research dollars increased more slowly than had been anticipated. The net effect from these various factors was positive, however, and the University was accordingly able to reverse some austerity measures of the recent past. For example, the normal transfer to reserves from the operating budget that supports renovations and major maintenance had had to be reduced during the last two years. However, the first phase of the endowment spending change provided funds to bring these transfers back to their budgeted levels for 2006-2007 and beyond. In addition, as a one-time result of the lower health care expenditures in 2005-2006 (which by convention are carried forward as a benefit to 2007-2008), it was possible to add back to capital reserves the funds that had been lost as a result of the reduced transfers in 2005-06. Likewise, the Trustees augmented the University's energy budget, which had been strained by rapid increases to natural gas prices. Those prices were notably lower this year, and it appears that the University will accordingly be able both to fund current energy charges fully and to start rebuilding its energy reserve, which had been completely depleted due to high and volatile prices over the past several years.

Not surprisingly, these significant changes to the operating budget affected the work of the Priorities Committee in multiple ways. First, the Priorities Committee had a considerably larger sum to allocate than in previous years. Because the University's administrative units were aware of the improvements to the University's budgetary outlook, the Committee also received a list of requests that was longer and more expensive than those of the past several years.

Second, the Committee's deliberations were more complicated than usual. Several of the changes implemented through the spending rule process bore directly upon issues (such as rates of increase on fees, rents, and graduate stipends) that are typically addressed by the Trustees after the Committee makes its recommendations. The briefings to the Committee about the Trustee plans for the spending rule change were thus an important part of this year's process. Moreover, other additions to the University's operating budget were being made this year as part of the plan, approved by the Trustees in 2000, to increase the size of the undergraduate student body. Under that plan, which had been shared with previous Priorities Committees, the University would use the income generated by additional tuition from the expanded student body to pay some capital costs related to the construction of

Whitman College and to expand academic and administrative support to meet the additional demand generated by the larger number of incoming students. By FY2007-2008, the year for which the Priorities Committee has been planning, three classes will have been admitted under the expansion plan, and about 30% of the planned additional students will be on campus. Some of the requests for staffing increases that were presented to the Priorities Committee will be supported instead by funds available under the previously approved plan for the expansion of the student body.

III. Recommendations

Recognizing that the University's budgetary situation had improved after the June spending rule change, cabinet officers submitted requests with total costs of more than twice those of recent years, presenting this year's Priorities Committee, like those of the past, with a set of difficult decisions to make. The Committee, realizing that it had the potential to make a more significant than usual contribution to the University's programs, was able to consider some very large requests.

The Trustee-approved spending rule changes also shaped the Committee's deliberations in another sense. The Trustees' allocations focused on core pedagogical and research efforts of the University. This focus allowed and encouraged the Committee to pay substantial attention to the University's staff and its administrative support, both of which are critical to the University's mission but received less direct support from the spending rule changes. In addition, the Committee was able to leverage its funds by augmenting or completing initiatives that the Trustees supported.

The new child-care benefit for faculty and staff, described in more detail below, illustrates both of these points. The benefit advances a major priority of the University and of President Shirley Tilghman, who has indicated her commitment to making Princeton a more "family-friendly" environment. Many beneficiaries of the plan will be members of the University's staff, including some of its lower-paid staff. The plan also complements improvements to the child-care benefit for graduate students that will be funded through the second phase of the spending rule change and about which further information will be available early in the spring semester. The Committee regards the new benefit as a leadership initiative for the University, and it is pleased to be able to supplement the Trustee-approved spending rule changes with this very important program.

Thanks to the positive budgetary outlook, the Committee could also recommend, among other items, an increase in funds for special salary adjustments for faculty and staff (in addition to the continuation of last year's salary pools); financial support for graduate students who bear children; the provision of a winter-break allowance for international undergraduates; and the achievement of 24-hour, 7-day-per-week on-site monitoring of the University's computing systems. In addition, thanks to funding from the Trustees via the second spending-rule increase, the Committee was able to recommend a reduced rate of increase in tuition and fees of 4.2% compared to last year's 4.9%.

The Committee's recommendations for fiscal year 2007-2008 are described below, in alphabetical order of the requesting office. All the requests submitted to the Committee are accessible to members of the University community at http://www.princeton.edu/~provost/Pricomm.htm.

Administrative and Support Services

The Executive Vice President brings to the Committee the priority needs of the administrative units. Included in this group this year was the largest request to come before the Committee, brought forward by the Child Care Working Group and sponsored by the Office of Human Resources: a proposal to institute a child-care benefit on a sliding scale to assist employees whose family income does not exceed $130,000 and who do not have a non-working spouse or partner who can take on primary responsibility for child care.

The Child Care Working Group is an outgrowth of the Task Force on Health and Well-Being, a group established by President Tilghman in 2003 to examine a range of issues affecting the health and well-being of students, faculty, and staff at Princeton. The Child

Care Working Group was asked to consider and make recommendations on the availability and affordability of child care to Princeton graduate students and employees. The Task Force on Health and Well-Being had already recommended adding a third University child-care center to the two current ones (U-Now and University League), and this project is in the planning stages. The Child Care Working Group added a parallel recommendation: a universal, portable child-care benefit to help subsidize the cost of child care for University families who have recognized need. The recommended eligibility test of $130,000 or less in household income recognizes local research and experience that indicates that most families can afford to spend 11%-13% of their gross income on child-care costs, and that the median cost of full-time child care in the Princeton area is roughly $13,200. The Working Group projects that about 364 University families—75% of the eligible 485 families—would be likely to use this award. The individual benefit would range from a total of $6000 ($5000 for the first child and $1000 for the second) at incomes less than $65,000 to $2000 ($1000 for the first child, $1000 for the second) at incomes between $110,000 and $130,000.

In addition to the direct aid to employees, the program would require full-time staff support. The Committee was persuaded that this level of staffing was warranted, considering the multiple tasks of creating the program and its procedures, reviewing each application individually in order to confirm the applicants' eligibility, counseling individual applicants on how best to take advantage of the aid (for example, for some low-income families, the earned-income tax credit—which cannot be claimed if the family uses a Dependent Care Expense Account, the vehicle for the child-care benefit—will benefit the family more than would a DCEA account), communicating the availability and details of the program to employees, and resolving disputes.

The net cost of the direct aid to employees and the salary and benefits for the program administrator is $777,000. The Committee recognizes that a child-care benefit will improve the lives of current employees and aid in the recruitment of future ones, and recommends that full funding for this program be incorporated into next year's operating budget.

The Executive Vice President also presented a proposal from the Director of the Art Museum (with the support of the Facilities Department) to add a Manager of Campus Collections. The campus collections include the John B. Putnam Jr. Memorial Collection of sculpture, the Princeton Portrait Collection (including portraits in Nassau Hall, Prospect House, and throughout other buildings on campus), and the General Campus Collection. Some of these works are extremely valuable, some are less so; they do not belong to the Museum, and none of them currently falls within any University office's portfolio. Only the Putnam Collection (which constitutes 3% of the total campus collections) has operating funds dedicated to its maintenance.

The Manager of Campus Collections would ensure that the University's collection of public art was appropriately cared for and stewarded. The manager's duties would include processing the collection (making a comprehensive inventory, assessing needs for repair and conservation, and cataloguing and digitizing an image of each object); recommending actions to reduce the risk of damage to public artworks; and creating strategies for the disposition of works that are insignificant or damaged beyond repair. Adding the position at this time will assist in a related project, in which the University is considering the creation of new storage space for the Museum at a site away from central campus. Many University-owned art objects are currently stored in the Museum for lack of another appropriate facility, and these will be the first to be moved if new storage space becomes available. Also, if more objects are distributed throughout the campus, the off-site facility can be designed in a more economical fashion.

Last year's Priorities Committee reviewed an earlier version of this proposal and was persuaded of its importance; its report noted "the importance of good stewardship of the University's resources" and concluded that "this particular need will have to be addressed in the future." This year's Priorities Committee recommends full funding for the position of Manager of Campus Collections. While the Committee cannot provide the accompanying operating funds this year, the Provost believes that other sources of funds can be identified (through either the allocation of capital funds or the use of term funds or restricted funds) to aid in this important work.

The Executive Vice President also presented a recommendation from the Vice President for Finance and Treasurer to create a University Travel Office within the Office of Risk Management. The recommendation grew out of the work of an ad hoc Travel Committee that convened in spring 2006 to review policies on student-initiated travel. This committee identified a lack of consistent, universal infrastructure provided by University departments to student travelers: for example, those who take part in academic-year Study Abroad programs receive excellent support (including assistance in emergencies), while some who are granted funding from individual departments or programs for research travel may be operating almost entirely on their own. The proposed University Travel Office, staffed by a Travel Manager, would help provide full-service support for University-sponsored student travel not organized through the Study Abroad office.

In addition to the salary and benefits of the Travel Manager, the proposal requested funding for the annual subscription fees for iJet, a commercial traveler management information system. This software would allow the University to track all registered student travelers and would provide emergency alert and notification services.

Recognizing the University's increasing emphasis on international study, the Committee endorsed the concept of a University Travel Office that would help respond to the needs of students who undertake travel as part of their education. Although unable to include funding for the staff position of Travel Manager in next year's budget, the Committee does recommend funding for the iJet system, which can be put to good use by current staff members who are involved in administering student travel.

A number of other proposals brought forward by the Executive Vice President could not be included in the funding package for FY2007–2008. The first was a request from the Director of Environmental Health and Safety for a Health and Safety Program Manager who could help shoulder the additional workload produced by significant growth in a number of areas, including the size of the University's physical plant (and especially in scientific and engineering research space), enhanced planning for emergency preparedness, and increasing complexity of the regulatory environment. The Committee recognized the need for this addition sooner rather than later and, while unable to include it in this year's package, encouraged the office to bring it forward again next year.

Another request that could not be worked into the package came from University Services, which asked both for partial funding for a support staff position for the Frist Campus Center and for full support for an assistant director for programs for Frist. The Committee was sympathetic to the first request, recognizing both the importance of support staff in enhancing the productivity of professional staff and also University Services' efforts to create part of the support for the position out of its own budget. The Committee's views on the second request were affected by the approach of significantly enhanced programming for undergraduates through the new four-year residential college system: the members concluded that the University was already investing heavily in increased programming for next year and that the need for additional staffing in this area at Frist should be reassessed after that programming had had a chance to make its effect on the community.

Campus Life

The Vice President for Campus Life is responsible for four administrative units that have a significant impact on the quality of life for undergraduates, graduate students, and other members of the University community: University Health Services, Athletics, Religious Life, and the Office of the Dean of Undergraduate Students. She requested additional resources for three of these four units, as well as for the Princeton-Blairstown Center, which supports the Outdoor Action program participated in by many Princeton students, especially in the week preceding Orientation.

University Health Services has benefited from significant Priorities Committee attention in recent years, having been awarded $324,000 in additions to the FY2003-2004 operating budget, $120,000 in additions to the FY2004-2005 operating budget, $195,000 for FY2005-2006 (about 40% of the Committee's programmatic allocations that year), and an additional $25,000 for FY2006-2007. This year the Director submitted requests for three positions: a healthcare information development technologist, a psychiatric physician, and an inpatient services clinical support position. Like previous Committees, this year's Priorities Committee was particularly interested in supporting additional psychiatric time for University Health Services, a need that had been funded incrementally in the three previous years. The Committee observed that funding for both the healthcare information development technologist and the staff psychiatrist will, in the long term, be covered by the funding dedicated to administrative support for the enlarged undergraduate student body and can be supported by one-time funds as necessary during the period of enrollment growth. The Priorities Committee also took into account the fact that University Health Services enjoyed additional capacity to respond to student needs this year because it was no longer expected to provide support to students at the Princeton Theological Seminary. While members of this year's Committee believed that requests from University Health Services might need the attention of future Committees, they also thought that the long-term needs of University Health Services would be better assessed after it had incorporated the additional support and capacity it was receiving from multiple sources this year.

The Vice President's requests on behalf of Athletics aimed to provide support in four areas: human resources functions (particularly the regular searches engendered by planned turnover in the assistant coaches' ranks); information technology; sport clubs; and strength and conditioning. Last year's Committee recommended funding to convert the term-funded position of the head strength and conditioning coach to a permanent line. The first phase of the spending rule change, which provided permanent funding for a number of critical term-funded positions, secured the line of the second strength and conditioning coach. The request for a 50%-time SCAD position (Support for Computing in Academic/Administrative Departments) was funded by the Provost from operating funds made available by the first spending-rule change and earmarked for support for information technology. The Committee is unable to recommend funding for the administrative assistant who would supply dedicated HR support in the office.

The Committee gave close scrutiny to proposals from Athletics about increased funding for sport clubs through an upgrade for the sport clubs coordinator, training consultant hours for sport club athletes, and increased funding for sport club transportation. Many members of the Priorities Committee attended the CPUC meeting in December that included not only an update on the Committee's work but also a presentation by the new Associate Director of Athletics for Campus Recreation, along with extensive comments by students favoring additional support for the sport clubs. Although the Committee agreed that recreational activities at the University could improve with more resources, it concluded that the budgetary requests for support of the sport clubs should be deferred until the new director has had a chance to assess the needs of all recreational activities and the best way to address them. The Committee also notes that a position for intramural athletics and instructional programs will be added to the area of campus recreation in 2007-2008 as part of the administrative enhancements to address the needs of the larger undergraduate student body.

The Vice President for Campus Life asked for three positions for activities overseen by the Office of the Dean of Undergraduate Students: a new assistant dean of students; a half-time office assistant in the LGBT Center; and a program assistant for the Carl Fields Center. The Committee endorsed the first two of these three requests for funding. In the case of the assistant dean, Committee members recognized the urgent need for assistance with the growing workload of student discipline and crisis management. The Committee saw this request, along with the psychiatry position sought by University Health Services, as an important reinforcement of the University's capacity to respond to students in distress. The Committee also recommends the permanent allocation of funds to the LGBT Center office assistant, who has been supported on term funds for two years. The Committee had previously, in a year when its resources were heavily constrained, approved funding for the Center's director without being able to supply any funding for a support position. The Committee is pleased to be able to recommend permanent funding for this important function.

The Committee was unable to find room within its budget for funding for the office assistant for the Carl Fields Center and Community House or for the Outdoor Action program assistant.

Facilities

The Vice President for Facilities brought forward a request for 1.5 staff positions (a full-time administrator and a half-time support staff person) to establish a Housing Services Program to enhance the Housing Office's ability to assist faculty, staff, and graduate students in locating off-campus rental housing when University rental housing is not available. This service would particularly help postdoctoral researchers, graduate students who are moving out of University housing, and new staff members who are relocating to the Princeton area. In addition, it would support the newly developed Housing Master Planning process, which calls for the renovation and upgrading of much of our rental housing—a process that will require the residents to be relocated while the necessary work is taking place.

Last year's Priorities Committee endorsed an earlier version of this plan but was unable to fund it. This year's Committee recommends funding for the staffing positions and referred the request for term funds to support the renewal of the Housing Office's website and the development of a searchable rental housing database to the Provost (since the Priorities Committee supports only ongoing operating budget requests). In addition, the Committee recommends setting the rate for the security-deposit loan fund requested by the Housing Office at a market rather than subsidized rate, thereby eliminating the need for additional funding.

Faculty and Staff Salaries

The Dean of the Faculty and the Vice President for Human Resources each brought to the Committee data indicating that, in light of market conditions, last year's salary pools should be sustained into the coming year. The Committee agreed with this recommendation. In light of recent experience and using knowledge of compensation practices at other universities and within the local and regional industries with which we compete for staff, the Dean and the Vice President also requested an increase to the promotion and adjustment pools that are used to meet the needs of employees who are promoted, reclassified, or retained by matching a salary offer from an outside employer. Recognizing the critical importance of competitive compensation to attracting and retaining the very best faculty and staff members, the Committee recommends full funding for the requested increases to the promotion and adjustment pools.

The Dean of the Faculty provided data regarding the salaries offered to Princeton's faculty members, professional technical and research staff members, and professional librarians, including available comparisons to the salaries offered at peer institutions. While Princeton's salaries continue to be competitive, only vigilant attention can maintain the University's position relative to its peers. The Dean called the Committee's attention to some job categories within the professional library staff that had fallen behind relative to market. The requested increase to the promotion and adjustment pools will help address these issues.

The Vice President for Human Resources updated the Committee on the competitiveness of the salaries for bi-weekly and administrative staffs and flagged areas that need special attention. She also advised the Committee about peer institutions' use of variable pay options (bonuses and awards not incorporated into the base salary), and recommended that Princeton think seriously about expanding its current modest program in this area.

Faculty Staffing

Once again this year the Dean of the Faculty focused his request for instructional resources on the need for additional funds for graduate student assistants in instruction ("AIs") in both undergraduate and graduate courses. Using one-quarter of its total resources, last year's Committee had been able to fund a modest 38 AI hours of a 193-hour request. (An "AI hour" normally provides graduate student assistance in instruction for one classroom hour plus preparation and grading time; typical AI assignments range from 2 hours for two weekly 1-hour precepts to 6 hours for two 3-hour lab sessions.) The request increased this year to 194 total hours, of which 60 were for graduate courses that meet the standards established by the Academic Planning Group for eligibility for assignment of AI hours.

Recognizing that AIs are central to the University's teaching mission, the Committee expressed strong support for this request. The Committee's capacity to respond effectively to the Dean's sizable request was enhanced by the provision of funds from two other sources, both connected to the spending rule change. The Trustees authorized additional AI hours for eligible graduate courses and the Dean of the College agreed to continue her office's support for the AIs needed by some new, labor-intensive interdisciplinary undergraduate courses. The Priorities Committee is able to recommend funding for 31 more AI hours, which, when added to the other sources, brings the total funded to 134 hours, just over two-thirds of the Dean of the Faculty's original request.

Graduate School

The Dean of the Graduate School brought forward a proposal to institute and fund a new childbirth and adoption policy for Ph.D. students. The policy would have two parts: first, it would offer all birth mothers full support (tuition, stipend, and medical coverage through the student health plan) during a three-month suspension of academic work; second, it would offer financial support and an extension of academic deadlines for one academic term for either birth mothers or primary caregivers.

The first part of the policy is designed to ensure a consistent source of University financial support to women who give birth during their period of graduate study, and will replace the ad-hoc arrangements that have sometimes been made in the past. The Committee recommends full funding for this part of the proposal.

The second part of the policy would extend the enrollment time of birth mothers or primary caregivers by one semester of DCE enrollment per child, with normal support of tuition and stipend. While the Committee could not include the funding for this part of the proposal in its recommendations this year, it recognized the great desirability of doing so. The Provost will work with the Dean of the Graduate School to try to identify savings in some areas, which, in combination with new funds for graduate education made available through the recent spending-rule change, might be devoted toward implementing the second part of the policy.

Information Technology

The Vice President for Information Technology made three requests to the Committee for improvements in computing service to the University, one of them a joint request with the Library.

The first proposal would add two staff members to the IT Operations and Support Center in order to expand its service to include on-site monitoring of the University's computing and network infrastructure 24 hours per day, 7 days per week. (Last year's Committee had considered a request for three positions for this purpose; in the meantime, the Office of Information Technology (OIT) reviewed its Support Services group and identified one FTE that could be reassigned, thus decreasing the need for additional resources.) Employees present on site—instead of on call from their homes, as is currently the case on weekends—to monitor the systems can sometimes take action to avert outages, with the potential of saving many thousand person-hours of productivity. Committee members welcomed this request for several reasons: first, it would benefit every member of the University community; second, it would bring Princeton closer to its peers in its level of service in this area; and third, the resources the Committee could dedicate to the proposal would be leveraged by resources reassigned by OIT from within its own budget. The Committee recommends full funding of this request.

The second proposal called for operating funds to help run the Broadcast Studio that is being constructed as part of the Lewis Library. The studio will enable faculty interviews for television broadcasts; editing of videos such as those created by administrative offices for outreach to the community and to prospective students; and recording and editing of video materials for courses, including materials that are created by students. Non-priority and external users of the studio would presumably be charged, so some cost recovery would be expected; in addition, OIT will assign one position from Media Services to help staff the studio. The Committee noted that a temporary studio had recently been created in Robertson Hall, and it conjectured that the operation of this facility might generate useful data about the appropriate funding model for the Lewis Library facility. Committee members also asked whether OIT's various divisions that support academic computing—including the New

Media Center, the Educational Technologies Center, and Media Services—might be reorganized in a way that would free up resources that could be used to help support the new broadcast studio. In any case, the Committee was unable to work this request into its recommended funding package.

The third request, made jointly with the Library, proposed the hiring of an administrator who would define and bring into being a Digital Pedagogy Center. This facility would support the digitization of materials—text, images, video, et al.—for uses in teaching and research. The digitization of materials currently takes place in assorted venues on campus, including the Library, the Art Museum, the Department of Art and Archaeology, the Program in Visual Arts, the Language Resource Center, and the Educational Technology Center. Representatives from these and other constituencies, meeting together as the Digital Assets Committee, have recommended that the University look into centralizing digitization on campus in order to reduce inefficiencies and make best use of current and future resources in this area.

The Committee had many questions about this proposal, including whether centralization of such services was always feasible and whether one new staff member would be able to add value to the activities and processes already in place. The Committee was impressed by the range of digitization activities on campus and the need for further work in this area, but, in the end, its members felt that the proposal would benefit from further maturation before being funded.

Library

The University Librarian began her presentation by updating the Committee on positive developments within the Library's acquisitions budget, thanks to a generous allocation by the Trustees from funds made available during the first phase of the spending rule change. In addition to joining in OIT's proposal for a staff member dedicated to creating the Digital Pedagogy Center, she presented to the Committee a proposal to make permanent the currently term-funded position of Digital Programmer. This staff member creates software that establishes communication lines between local and vendor-provided programming, enabling the Library's digital projects to go forward. The Committee was very sympathetic to this need but was not able to incorporate it into the funding recommendations for this year.

Tuition, Room, and Board

Like its predecessors, this year's Committee considered the University's tuition and fee package in light of the University's commitment to the accessibility of higher education to all qualified students. This commitment has two components. The first is to recommend as low a rate of increase in tuition and fees as is consistent with sustaining Princeton University's overall excellence. Over the past ten years, the annual rate of increase to that package has been at the bottom end of the University's peer group. The second aspect of the commitment is to maintain an undergraduate financial aid program that is unsurpassed in its generosity and that ensures that all prospective students and their families can afford a Princeton education without a loan requirement. Every dollar added to Princeton's total fees each year is also added to every financial aid award.

This year's Committee was aided substantially in its pursuit of these goals by the spending rule package approved by the Trustees in November. In particular, the Committee is able to recommend a reduction in the overall rate of fee increase from last year's 4.9% to 4.2%. The Trustees' allocation will hold the budget harmless from this change in 2007-2008. The Trustees' allocation was based upon a plan, which the Committee has endorsed, that distributes the fee increase in a way designed to achieve several different objectives. The plan holds tuition flat but makes substantial increases to the University room rates and board rates. The increases to room and board enable the University's pricing to reflect more accurately its costs and to remove certain market distortions otherwise produced by the University's high subsidy levels. The distortions produced by the board rates were especially significant to upperclass undergraduates, who may choose to purchase meals with clubs or with the University, whereas the artificially low room rates were especially significant in the graduate student context, where students may choose between on-campus and off-campus housing options. At the same time that it normalizes the University's room and board rates and brings them in line with other institutions, the Trustee-approved plan holds tuition flat in a year of relative budgetary plenty produced, in significant part, by the continuing and extraordinarily generous support of the University's alumni.

In other years, an increase in room rates of this size would have left graduate students who live in the Graduate College and in certain rental units at a real disadvantage. However, because of another spending-rule allocation by the Trustees—a recommended increase in the base graduate fellowship stipends from the previously projected $22,150 for 12 months to $24,000— graduate students who live in University housing should end up better off next year despite the increase in rates. Stipends for graduate AIs and Assistants in Research ("ARs") will also increase more than normal. The Committee considered the question of whether the stipend increase would create significant problems for faculty members who support graduate students on grants that often fix budgetary costs several years in advance, but the University's action of holding tuition flat will come close to offsetting the stipend increases as well as the additional overhead charges they will incur.

In sum, the Trustee-approved plan led the Committee to recommend increasing our total fee package for undergraduates (tuition, room, and board) by $1,780 for 2007–2008. The specific recommendations are as follows:

	2006-2007	*2007-2008*	*% Change*
Tuition	$33,000	$33,000	0.0%
Room	$4,885	$5,980	22.4%
Board	$4,315	$5,000	15.9%
Total	$42,200	$43,980	4.2%

The increase in board charges reflects not only improvements in quality but also changes to the board plan structure and a truer accounting of costs. Students can choose among a number of different meal contracts, and many of them will not experience the 15.9% increase reported above; for example, one of the most popular meal contracts (which is different from the one that we are asked to report in the term bill) will go up in price less than 10%. The overall average price for all meal contracts is expected to increase 11%.

The room rate described above applies only to undergraduate dormitories. Graduate College room rates will increase 12%, but the increase will be partially offset by a 6% reduction in the price of the mandatory graduate college dining contract. The resulting combination of dorm room plus dining contract will increase about 6%, depending on what type of room is chosen. Rates at the graduate annexes, where no meal contract is required, will increase 9%. Rates for graduate student apartments will rise between 3% and 9%, based upon market comparisons, with an average increase of 6%. Stipend increases will normally range between 6.3% and 11.6%, depending on the combination of fellowship, AI, and AR support for each student. The percentage increases in stipends represent considerably more dollars than the corresponding percentage increases in room rates, since the stipend base is significantly greater than the room rate base. As stated above, virtually every graduate student will be better off than they are now and than they would have been had stipends and rents both increased at 3%.

Most rents in faculty and staff rental units will increase 3%, although some units may increase at a higher rate if they are substantially under-priced with respect to the outside real estate market.

The University also expects to increase the premiums for the Student Health Plan from $1000, its level in 2005-2006 and 2006-2007, to $1050 for 2007-2008. Tuition for DCE (Dissertation Completion Enrollment) students will remain flat at $2500; total fees for DCE students, including premiums for the Student Health Plan, will thus rise from $3500 to $3550.

Undergraduate Financial Aid

The University has the most generous undergraduate financial aid program in the country, and it commits each year to implementing that program for all undergraduates who are eligible for financial aid. Some years ago, the University was able to extend need-blind admission to international students. This commitment makes Princeton’s aid plan for international students exceptionally generous. Under this plan, international students enjoy the same aid policies as domestic students, with a single exception: the University funds only one trip home per year for international students who live outside North America rather than the two that are supported for residents of the U.S., Canada, and Mexico. In past years, the Committee on Admission and Financial Aid has recommended the addition of a second trip home for international students, but the Priorities Committee has been unable to fund that request. Two years ago, cognizant of the constraints under which the Priorities Committee was operating, the Dean of the College and the Director of Financial Aid brought forward a request from the Committee on Admission and Financial Aid to provide an annual grant of $400 for each international student to help cover costs during the winter break—for example, travel to a friend's home, meals when the dining halls are closed, or day trips for culture and entertainment. Last year's Committee endorsed the request but, in a very constrained year, was unable to incorporate it into its funding recommendations. Enjoying an improved budgetary situation, this year's Committee was delighted finally to be able to recommend this item for funding.

IV. The Outlook for the Future

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

The projections also incorporate estimates of the impact of new buildings coming on line and other planned changes over the next four years. For example, this set of projections includes the full operating and maintenance costs of the new Lewis Library, scheduled for occupancy in FY2007–2008. This year's projections also take into account the planned expansion of the undergraduate student body, which is scheduled to occur over the next few years.

In keeping with recent practice, the projections include a programmatic contingency of $500,000 in each year from FY2008–2009 forward. This contingency recognizes the University's need continuously to improve its instructional, research, and campus life programs in order to remain a vibrant and evolving institution.

As described earlier in the report, the projections for the University's operating budget show a substantially more stable financial picture than existed last year, when we envisioned some deficits in the short-term future. This more favorable outlook reflects allocations made by the Trustees when they increased the University's spending rate in June 2006. The spending rule change approved by the Trustees in November added programmatic improvements to the operating budget, and those are reflected in the projections. However, the portion of the Trustees' plan pertaining to the University's fee package affects the projections in an unusual way, and it accordingly bears additional discussion.

As stated above, the projections extrapolate forward the policy recommendations being made for the budget year into the subsequent three years. Last year, for example, we projected forward both the recommended salary package and the agreed-upon 4.9% fee increase, thus incorporating those percentages into our long-term planning. As noted above, for the upcoming budget year, the Trustees provided sufficient funds out of the second phase of the spending rule change approved for FY2007–2008 to lower the rate of fee increases from 4.9% to 4.2%. These lower net revenue targets are now completely built into the budget and fully funded by the actions of the Trustees for FY2007–2008.

However, if the University replicates a lower rate of fee increases in future years (4.2% versus 4.9% spread appropriately over the newly rationalized fee structure), this decision would entail compounding reductions to the University's total revenue stream. This reduction has not been funded. The Trustees asked the administration and the Committee to prepare two sets of projections comparing the impact of 4.9% vs. 4.2% fee packages carried forward beyond FY2007–2008. In light of the underlying strength in the University's budget situation, the projections using a 4.9% fee increase produced a set of essentially balanced budgets, even though embedded in those projections are higher pools for promotion and adjustments similar to those recommended for FY2007–2008 that do compound each year. However, the set of projections using the 4.2% fee increases results in a series of deficits that grow by approximately $800,000 more each year.

There are obviously a number of variables that could affect how the University chooses to address this potential conflict between a desire to keep our rate of fee increases as low as possible and, at the same time, to sustain our ongoing programs. Increased fundraising results could help, although some of those monies will undoubtedly be earmarked for important new academic initiatives that are being discussed. While we are unlikely to see improvements in sponsored research or other forms of outside income, it is possible that inflation will further moderate and decrease pressures on salaries and operating expenses. We anticipate that in January the administration and the Trustees will begin a discussion about various tradeoffs, continuing to examine a variety of factors over the course of the spring and summer. While these discussions are important, we should emphasize that the magnitude of the projected differential is modest and the overall outlook for the future continues to be robust, thanks to the excellent performance of the endowment over the last several years.

Before concluding its discussions of the projections, the Committee examined in detail the neutral assumption contained in the projections that the percentage of undergraduates receiving financial aid would continue at the current 55%. The Committee noted that, over time, the decisions both to eliminate early decision and to enhance our aid package could result in incoming classes that include a higher number of undergraduates qualifying for aid. The Committee discussed whether the projections for the future took this possibility into account. Members of the Committee took comfort from learning that the possibility of this development figured prominently in much of the modeling the Trustees had undertaken last summer. One result of last summer's discussions was the decision to focus the majority of the total increase from spending rule changes being made for FY2007–2008 on strategic, rather than programmatic, enhancements—that is, on capital-type expenditures that can be reduced or deferred more easily than allocations for personnel or program. Such actions provide the flexibility necessary for quick adjustments when high priority items like student aid require an unexpected injection of funds.

Appendix A

PRIORITIES COMMITTEE SCHEDULE
2006 – 2007

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

Day	*Date*	*Time*	*Topic*	*Presenter/Invited Guest*
Wednesday	October 18	4:30 p.m.	Orientation	Introduction to Priorities Committee, Operating Budget
Tuesday	October 24	4:30 p.m.	Orientation	Sponsored Research (with Michelle Christy); Capital Budget
		5:15 p.m.	Administrative Initiatives Part I	Mark Burstein, *Executive Vice President*
Wednesday	October 25	4:30 p.m.	Q&A for new members	Outlook on 2006–2007 and Potential Developments Affecting 2007–2008 Budget
[Fall Recess October 28 – November 5]				
Tuesday	November 7	4:30 p.m.	Computing	Betty Leydon, *VP for Information Technology*
		5:15 p.m.	Facilities	Michael McKay, *VP for Facilities*
Wednesday	November 8	4:30 p.m.	Campus Life	Janet Dickerson, *VP for Campus Life*
		5:15 p.m.	Graduate School	William Russel, *Dean of the Graduate School*
Monday	**November 13**	**7:30 p.m.**	**Priorities Committee PUBLIC MEETING (All members should attend). McCosh 28**	
Tuesday	November 14	4:30 p.m.	Salary Pools	Lianne Sullivan-Crowley, *VP for Human Resources*
		5:15 p.m.	Salary Pools	David Dobkin, *Dean of the Faculty*
Wednesday	November 15	4:30 p.m.	Library	Karin Trainer, *University Librarian*
		5:15 p.m.	Administrative Initiatives Part II	Mark Burstein, *Executive Vice President*
Friday	**November 17**	**1:00pm**	**Meeting of Priorities Committee with the Finance**	

			Committee of the Board of Trustees for a General Discussion of the Budget	
Tuesday	November 21	4:30 p.m.	Undergraduate Financial Aid	Nancy Malkiel, *Dean of the College* Janet L. Rapelye, *Dean of Admission* Robin Moscato, *Director of Undergraduate Financial Aid*
		5:15 p.m.	Faculty Staffing	David Dobkin, *Dean of the Faculty*

[Thanksgiving Recess—November 22 – 26]

Tuesday	November 28	4:30 p.m.	**Budget Update/Development of Tentative Recommendations
Wednesday	November 29	4:30 p.m.	**Tentative Recommendations (continued)
Tuesday	December 5	4:30 p.m.	**Tentative Recommendations (continued)
Wednesday	December 6	4:30 p.m.	**Tentative Recommendations (continued)
Monday	**December 11**	**4:30 p.m.**	**CPUC Discussion of Priorities Committee Recommendations and Report** ***Friend Center 101***
Tuesday	December 12	4:30 p.m.	Final Recommendations /Projections
Wednesday	December 13	4:30 p.m.	Final Recommendations /Projections
Friday	**December 15** ***105 Chancellor Green***	**2:00pm**	**Meeting of Priorities Committee Members with the Full Finance Committee for Presentations of Tentative Recommendations**

[Winter Recess December 15 – January 7]

Tuesday	January 9	4:30 p.m.	Final Recommendations/Projections/Final Report
Wednesday	January 10	4:30 p.m.	Final Recommendations/Projections/Final Report
Thursday	January 11	4:30 p.m.	Final Recommendations/Projections/Final Report
Friday	January 19		FYI: [President and Provost Present Final Budget Recommendations to Finance Committee and Board of Trustees]

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

Appendix B

PRINCETON UNIVERSITY
Operating Budget: Income
(dollars in thousands)

	2005-06 Actual (1)	2006-07 Current Estimate (2)	2007-08 Projection (3)	Difference (3)-(2) (4)	Diff %
1. Investment Income	357,144	413,869	453,511	39,642	9.6%
2. Student Fees:					
a. Undergraduate Tuition	145,635	154,395	156,458	2,063	1.3%
b. Graduate Tuition	60,763	64,531	64,900	369	0.6%
c. Other	6,576	6,562	6,657	95	1.4%
Subtotal	212,974	225,488	228,015	2,527	1.1%
3. Gifts & Grant (non-govt):					
a. Sponsored Projects	31,446	27,661	28,215	554	2.0%
b. Other	108,423	93,914	101,964	8,050	8.6%
Subtotal	139,869	121,575	130,179	8,604	7.1%
4. Federal & State Government:					
a. Sponsored Projects	182,825	184,434	188,583	4,149	2.2%
b. Other	12,178	11,911	12,137	226	1.9%
Subtotal	195,003	196,345	200,720	4,375	2.2%
5. Auxiliary Activities:					
a. Athletics	1,985	1,939	1,965	26	1.3%
b. Dorm & Dining Services	43,897	46,593	55,160	8,567	18.4%
c. Rental Housing	15,989	16,760	17,523	763	4.6%
d. Other Income	18,169	16,953	17,327	374	2.2%
Subtotal	80,040	82,245	91,975	9,730	11.8%
6. Service Departments:					
a. Office of Information Tech	1,229	1,132	1,132	0	0.0%
b. Other	3,749	3,743	3,958	215	5.7%
Subtotal	4,978	4,875	5,090	215	4.4%
TOTAL	**990,008**	**1,044,397**	**1,109,490**	65,093	6.2%
Less Interdepartmental Transactions	11,805	12,400	12,772	372	3.0%
GRAND TOTAL	**978,203**	**1,031,997**	**1,096,718**	64,721	6.3%
Summary of Sponsored Projects:					
a. Direct Costs	175,811	172,850	176,816	3,966	2.3%
b. Indirect Cost Reimbursements	38,460	39,245	39,982	737	1.9%
Total	214,271	212,095	216,798	4,703	2.2%

PRINCETON UNIVERSITY
Operating Budget: Expense
(dollars in thousands)

	2005-06 Actual (1)	2006-07 Current Estimate (2)	2007-08 Projection (3)	Difference (3)-(2) (4)	Diff %
1. Academic Depts & Programs:					
a. Instructional Costs					
1. Faculty, academic year	132,227	140,950	147,477	6,527	4.6%
2. Assistants in Instruction	15,753	16,647	18,363	1,716	10.3%
b. Other salaries and expenses	212,565	225,642	233,877	8,235	3.6%
Subtotal	360,545	383,239	399,717	16,478	4.3%
2. Plasma Physics Laboratory	78,571	74,000	76,000	2,000	2.7%
3. Undergraduate Scholarships	65,133	71,884	82,361	10,477	14.6%
4. Graduate Fellowships	61,329	64,252	66,846	2,594	4.0%
5. Other Student Aid and Misc Fellowships	9,995	10,878	11,089	211	1.9%
6. Central University Services:					
a. Library	43,604	45,428	47,479	2,051	4.5%
b. Office of Information Technology	26,115	27,320	28,571	1,251	4.6%
c. Public Safety	5,985	6,000	6,368	368	6.1%
d. Other	3,038	3,045	3,003	-42	-1.4%
Subtotal	78,742	81,793	85,421	3,628	4.4%
7. Administration:					
a. Academic Administration and Student Services	47,180	51,368	59,961	8,593	16.7%
b. General Administration and Expenses	53,327	59,014	61,830	2,816	4.8%
Subtotal	100,507	110,382	121,791	11,409	10.3%
8. Athletics	18,022	19,256	20,327	1,071	5.6%
9. Physical Facilities	131,204	135,379	145,727	10,348	7.6%
10. Tsfr to Reserve for Renewal/Replacement					
a. Major Maint, Renovation, Equipment	84,100	94,847	101,030	6,183	6.5%
b. Debt service - new construction	1,860	1,860	1,860	0	0.0%
Subtotal	85,960	96,707	102,890	6,183	6.4%
11. Allowance for Contingencies					
a. Provision for expenses	0	675	1,350	675	n/a
b. Anticipated vacancies	0	-4,048	-4,029	19	-0.5%
Subtotal	0	-3,373	-2,679	694	-20.6%
Total Expense	**990,008**	**1,044,397**	**1,109,490**	65,093	6.2%
Less Interdepartmental Transactions	11,805	12,400	12,772	372	3.0%
Grand Total	**978,203**	**1,031,997**	**1,096,718**	64,721	6.3%
12. Estimated Income	978,203	1,031,997	1,096,718		
13. Surplus or (deficit)	**0**	**0**	**0**		

NOTES TO SUMMARY TABLES

Income

1. Investment Income. This line includes income earned from investments, mainly the University's endowment. Most of the increase shown here is governed by the endowment income spending rule. In addition to the growth generated by the regular 5% increase provided by the spending rule, we have included $14.6 million of new investment income that will be generated by the FY08 special spending rate adjustment described in Section II of the report. This new income offsets the new expenditures and the reduction in student tuition and fees that were authorized as part of the change. In addition, current funds earnings are projected to increase by $2.9 million, reflecting the annualized recent increases in short-term interest rates.

2. Student Fees. Since the tuition rate will not increase in FY2008, the increases in tuition revenues result solely from the planned expansion of the undergraduate student body and a slight projected increase in the total number of graduate students. The change in Other Student Fees reflects the elimination of the administrative fee for study abroad students that was part of the spending rule changes supporting undergraduate education. It also reflects a $50 increase in the Student Health Plan fee, plus the anticipated stream of premiums for dependent health insurance that is expected to result from the far more attractive rates for dependents approved under the spending rule changes for graduate education. The premiums will cover about 25% of the costs of the coverage, and the subsidy is covered by an allocation from the spending rule change.

3. Gifts and Grants (non-government). There is a projected increase of about 2% in support for sponsored projects. The "Other" line includes Annual Giving and other term support, including term funding authorized by the trustees to cover the temporary shortfall between revenues and expenses that results from the establishment of a sixth residential college and the conversion of three two-year residential colleges to four-year colleges next year. Once the full expansion of the undergraduate student body has been achieved, steady-state operating revenues will fully offset the additional costs.

4. Federal and State Government. The direct expenses of both PPPL and main-campus sponsored research are expected to increase at a rate of roughly 2% overall. The increase in “Other” government income reflects increased support for student aid.

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

6. Service Departments. The increases reflect revenue expectations for other service departments, some of which are offset by higher expenses, plus a projected improvement in revenues from our Technology Transfer Program.

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

Expenditures

1. Academic Departments. The increase in faculty costs is primarily linked to planned changes in staffing levels, including new faculty positions supported by gift and endowment income. The increase in Assistants in Instruction (AI) costs reflects the reversal of some current-year transfers between AI and faculty appointments. It also reflects the recommended increase in total AI hours described in the Report, the increase in AIs to support graduate education that is part of the spending rule package, and the AI portion of enhanced graduate stipends included as part of the spending rule package. Both the faculty and AI lines reflect increases authorized to accommodate the undergraduate expansion. The increase in “other salaries and expenses” results mainly from inflationary adjustments to various components of academic departmental budgets, including higher projected expenditures in departmentally restricted and sponsored research accounts. There is also a modest projected increase in AR (Assistants in Research) tuition support based on enrollment projections. The recommended Manager of Campus Collections in the Art Museum is included. An appropriate share of the salary pool as recommended by the Committee appears on each of the three lines shown.

2. Princeton Plasma Physics Laboratory. This increase is essentially offset by projected growth in sponsored funding.

3. Undergraduate Scholarships. Increases are provided to cover the higher fees recommended and to fund some projected additional awards, reflecting both the expansion of the student body and our assumption that next year’s entering class will have a higher fraction of its students qualifying for aid than this year’s graduating senior class, consistent with our experience in recent years. The increase also reflects the improvements to undergraduate aid funded through the spending rule change and the recommended funding of a winter break allowance for international students.

4. Graduate Fellowships. Increases are provided to cover the base inflationary adjustments to average stipend levels and the improvements for child-care support and fellowship stipends that are part of the spending rule change. The Committee’s recommended support for birth mothers is also included. A modest increase in the number of fellowships, including some supported on departmental and outside awards, is also projected, based on expected growth in the total number of graduate students of roughly 0.5%.

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

6. Central University Services. All lines reflect normal inflationary adjustments. The recommended funding for OIT weekend systems monitoring is included in line 6.b. The totals for OIT and Public Safety include amounts authorized to accommodate the undergraduate expansion. An appropriate share of the recommended salary pool appears on each line.

7. Administration. Normal inflationary adjustments are included, and one-time FY07 costs are removed. The amounts recommended for the Dean of Undergraduate Students, for Human Resources administrative support of the recommended childcare benefit, and for a travel management system are included. The spending rule allocations to enhance the program in the residential colleges and for the Dean for Research appear on line 7.a. A portion of the graduate education spending rule change also appears on line 7.a. to reflect the insurance costs that will result from the incorporation of student dependent health insurance into our operating budget. Line 7.a. also includes amounts authorized to accommodate the undergraduate expansion in the Office of Admission, in University Health Services, and in the residential colleges. The spending rule allocation for additional support for alumni affairs appears on line 7.b. An appropriate share of the recommended salary pool appears on each line.

8. Athletics. The increase reflects routine inflationary adjustments plus expected growth in departmental restricted funds. An appropriate share of the recommended salary pool is also included.

9. Physical Facilities. This line includes inflationary adjustments in property taxes, water and sewer charges, insurance, and energy costs. Various one-time adjustments are removed. Costs to support a partial year's occupancy of the new Lewis Library and the full costs of Whitman College are included, as are the costs of the recommended off-campus housing initiative. The spending rule allocation to support improvements to dining in the residential colleges appears on this line. An appropriate share of the recommended salary pool is also included.

10. Transfer to Reserve for Renewal and Replacement. This line reflects the costs of major maintenance and renovation projects and of capital equipment purchases. A reserve fund has been established to pay for these expenditures, and contributions from the operating budget to replenish that reserve appear here. The increase reflects normal inflationary growth. The FY08 budget includes a one-time allocation of $4 million to restore cuts to the renovations budget that were made in FY06. As described more fully in Section II of the report, this one-time cost is offset by savings in FY06 employee health costs that, by convention, must be carried forward to FY08.

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

Salary Pool (Distributed Above). Funds to provide salary increases for continuing faculty and staff supported by general funds (including the recommended increase to the promotion and adjustment pool), plus amounts for recommended increases in AI stipends and in hourly student wages, are included within the appropriate expense categories shown above. The benefits rate for non-academic departments is projected to remain at 26.1%, and the comparable rate for academic departments will decrease by half a point (to 32.5%). Both rates reflect the incorporation of the recommended portable employee child-care benefit into the employee benefits pool.