Recommendations Concerning the Operating Budget for 2020-2021

March 1, 2020
The Committee

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Meeting with the Committee

Lisa Baratta, Associate Provost for Budget Planning (Secretary to the Committee)
Steve Semenuk, Director of Operating Budget
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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 50 or 100 years from now can have all the same advantages as a student enrolled today. These three principles -- 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 recommends rates of change for several items central to the University’s budget, including the student fee package (composed of tuition, room, and board), undergraduate financial aid, graduate student support, faculty and staff salaries, and rental rates for University housing. The Priorities Committee also considers the impact of strategic planning initiatives on the University’s operating budget and reviews initiatives from the committee on Strengthening University Management and Resources (SUMAR) aimed at improving efficiency and enhancing management.

The Committee convened from October 2019 through February 2020, organizing its work into three parts: (1) reviewing the structure of the operating budget and notable trends; (2) considering proposed budget parameters, informed by cabinet officer presentations and the context of other competing claims and opportunities; and (3) discussing the budgetary implications of this year’s move to a new academic calendar, including a proposal for the January 2021 launch of an annual Wintersession program. While a spending total was not finalized at the time of the Committee’s deliberations, it did endorse an outline of Wintersession programming. The budget holds sufficient uncommitted resources to cover Wintersession operations as currently envisioned, to be allocated as specific offerings, events, and participation rates become more certain. The Committee met with the Finance Committee of the Board of Trustees in January to review preliminary thoughts about the fee package, salary pools, and other potential budget changes. The work of the Committee also was presented at an open meeting of the Council of the Princeton University Community (CPUC) in February to solicit feedback from interested members of the broader University community.

This report summarizes the Committee’s recommendations and will be forwarded to the President for approval and transmission to the Board of Trustees for its April meeting.

II. Budgetary Background

The University remains in a solid budgetary position, with strong long-run endowment returns, AAA credit rating, sufficient liquidity and reserves, and a loyal and generous base of donors. Five years into a comprehensive strategic planning process, and a clear sense of mission, priorities, and direction across
the organization. As shown in the endowment payout chart in Section III D below, the operating budget has benefited from significant increases during FY2017 and FY2018 in the amount of endowment income available to the budget. These favorable budgetary conditions have enabled the University to push ahead on a number of important initiatives, including improvements to undergraduate financial aid and graduate student support, research support and infrastructure, additional funding for new and renovated facilities, and calendar change.

Based on the Committee’s recommendations on key parameters, the projected operating budget for FY2021 totals $2.44 billion, a 4.7 percent increase over the current year. Controlling for spending on undergraduate financial aid and the Princeton Plasma Physics Laboratory and an increase in transfers to the capital budget, the adjusted year-over-year change is 3.9 percent.

Investment income continues to be the largest and fastest-growing source of revenue (in dollar terms) supporting University operations, accounting for 60 percent of the FY2021 operating budget. This growth has enabled progress on the University’s highest strategic and other priorities. Between FY2016 and FY2021, endowment payout supporting undergraduate financial aid increased by $54 million, coinciding with significant increases in the number of students on aid and the average scholarship award, seen in the table in Section III A, below. Endowment supports more than four-fifths of all undergraduate financial aid.

Beyond the important contribution that investment income increases have made to the University’s support of students, teaching, and research, the additional payout amounts also provide substantial new resources to improve Princeton’s physical infrastructure. In the fall of 2020, the University committed an additional $170 million in annual transfers from the operating budget to the capital plan, which, in combination with gifts and borrowing, will enable new residential colleges, teaching and research
facilities, investments in more sustainable building operation, expansion across Lake Carnegie, and other priority projects. The total transfer from the operating budget to the capital budget will be $215 million higher in FY2021 than in FY2016, and now totals more than $400 million per year.

Gross tuition revenue accounts for another 15 percent of operating revenues. Research grants and contract revenues contribute the majority of the remainder (17 percent of total), and are projected to increase by a robust 6.0 percent for FY2021, following recent trends. (Research grant activity is projected to increase 7.6 percent from FY2019 to FY2020, driven by the double-digit activity increase at the Princeton Plasma Physics Lab and year-over-year growth in main campus academic departments tracking above recent experience.) Finally, Annual Giving and miscellaneous department gifts are projected to increase by 1.2 percent ($1.4 million) to $110.6 million.

Details on sources and uses in the FY2021 operating budget, as well as changes from FY2020, can be found in the tables in the Appendix. We turn now to our recommendations for increases to key budget parameters.

**III. Recommendations**

A. **Undergraduate Financial Aid**

Princeton’s financial aid program aims to be the very best in the country in its calculation and coverage of need. Each year, the Priorities Committee receives a recommendation from the Committee on Undergraduate Admission and Financial Aid on the budget required to achieve that goal. Annual increases to the financial aid budget depend on three factors:

1. **Increases to student charges.** Princeton maintains a “stay-even” approach to ensure that students’ financial aid packages keep up with rising costs. As student charges increase, we adjust scholarship awards to cover the full amount of increase beyond any changes in the family contribution.

2. **Changes in the number of students receiving financial aid.** In recent years, Princeton has made it a priority to increase the percentage of students receiving financial aid in each successive class. As that percentage increases, the financial aid budget grows accordingly. The proposed budget assumes 62.5 percent of undergraduate students receiving aid, for a slight increase compared to 61.9 percent in FY2020 and 59.4 percent a decade ago.

3. **Changes to the financial aid package.** The University continues to improve its financial aid program. For example, last year, the Priorities Committee endorsed a proposal from the Committee on Undergraduate Admission and Financial Aid to replace the separate summer and term-time work expectations with a single (and lower) student contribution amount tied to the average cost of books and personal expenses (currently $3,500). This change will go into effect with the Class of 2024, whose members will matriculate in the fall of 2021.

The Priorities Committee supports the proposal from the Committee on Undergraduate Admission and Financial Aid for an $18.4 million (9.8 percent) increase in the undergraduate scholarship budget to $206.7 million for next year. This increase covers the proposed increase in student charges (detailed in
Section III.C) for all students on aid, an expected 47 additional students on aid in the Class of 2024 as compared to the Class of 2020, and two enhancements to the financial aid package. One is the implementation of last year’s decision to replace the separate summer and term-time work expectations with a single, lower student contribution; this change is projected to increase the financial aid budget by $7 million. The other is a longstanding proposal by the Committee on Undergraduate Admission and Financial Aid to replace the winter break allowance with a second round-trip travel allowance for international students on aid. Under the new academic calendar, winter break will stretch to five weeks for students not returning to campus for Wintersession; it is important that international students on financial aid be able to return home during that period.

Restricted endowment and trust funds will cover $164.5 million, or 80 percent, of the FY2021 scholarship budget. Outside scholarships, governmental grants, and other miscellaneous funds contribute an additional $12.6 million. The remaining $29.6 million, or 14 percent, will charge against General Funds.

B. Undergraduate Student Charges

Princeton subsidizes the education of every student, even those paying the full sticker price (which includes tuition and fees, room, and board). The full annual cost of a year of undergraduate education is approaching two times the amount of student charges.

The Priorities Committee recommends annual increases to student charges under general guidance from the Board of Trustees. The Trustees had an opportunity to review this guidance at their retreat in the spring of 2019. They strongly endorsed the view that the University’s commitment to affordability and accessibility should be pursued through the financial aid program, not by having the lowest student charges (“sticker price”).

The University’s financial aid program conforms to the principle that a Princeton education should be affordable and accessible to any family. No matter the sticker price, the University ensures that every student can afford a Princeton education. The financial aid office makes extraordinary effort to determine parental contributions that are no more than what each individual family can afford. The “stay even” policy insulates students on aid from increasing expenses: all aid packages are recalculated each year to incorporate increases to tuition, room, board, and other expenses and to take into account
changes in the family’s financial circumstances. These principles guide the Priorities Committee’s consideration of annual increases to fee package alongside the financial aid budget.

<table>
<thead>
<tr>
<th>Gross Family Income</th>
<th>Percent Qualified</th>
<th>Average Grant</th>
<th>What It Covers</th>
</tr>
</thead>
<tbody>
<tr>
<td>$0 - $65,000</td>
<td>100%</td>
<td>$71,340</td>
<td>Full tuition, college fee, room &amp; board</td>
</tr>
<tr>
<td>$65,000 - $95,000</td>
<td>100%</td>
<td>$50,080</td>
<td>Full tuition, college fee, 70% room &amp; board</td>
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<tr>
<td>$95,000 - $100,000</td>
<td>100%</td>
<td>$52,800</td>
<td>Full tuition, college fee, 50% room &amp; board</td>
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<tr>
<td>$100,000 - $120,000</td>
<td>100%</td>
<td>$55,780</td>
<td>Full tuition, college fee, 35% room &amp; board</td>
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<tr>
<td>$120,000 - $140,000</td>
<td>100%</td>
<td>$56,400</td>
<td>Full tuition, college fee, 21% room &amp; board</td>
</tr>
<tr>
<td>$140,000 - $160,000</td>
<td>100%</td>
<td>$52,210</td>
<td>Full tuition</td>
</tr>
<tr>
<td>$160,000 - $180,000</td>
<td>100%</td>
<td>$47,470</td>
<td>60% tuition</td>
</tr>
<tr>
<td>$180,000 - $200,000</td>
<td>93%</td>
<td>$41,900</td>
<td>81% tuition</td>
</tr>
<tr>
<td>$200,000 - $250,000</td>
<td>82%</td>
<td>$35,185</td>
<td>68% tuition</td>
</tr>
<tr>
<td>$250,000 and above</td>
<td>34%</td>
<td>$25,430</td>
<td>49% tuition</td>
</tr>
</tbody>
</table>

Tuition = $55,170  Residential college fee = $9,930  Room and board = $17,150

The Trustee review in the spring of 2019 and follow-up discussions in the fall produced several takeaways that give rise to our FY2021 pricing recommendations:

- Princeton has the benefit of substantial alternative revenue streams relative to other institutions, and our pricing position should reflect the contributions of endowment payout and other sources toward the cost of educating our students. Further, non-aid students should not subsidize students receiving aid.

- Aided students should be protected from price changes to the extent that their families’ capacity has not increased.

- Princeton should not assume tuition growth, net of financial aid, as a budget source for new initiatives.

- Being the lowest-priced option offers little admission or political advantage and should not be seen as an explicit aim.

With these considerations, the Priorities Committee proposes increasing student charges by 3.9 percent, or $2,690, to $71,710 for 2020-21. This includes $53,890 for tuition, $10,480 for room, and $7,340 for board. Note that this recommendation is a departure from the 4.9 percent increases of the previous two years, during which Princeton tracked higher than our peers (and our own past norms). It aligns

1 While our tuition rate and overall student charges rank as lowest among our peer group, our room and board rates rank as second-highest as of 2019-20 behind Harvard.
with the proposed rate of increase for core expenses in the operating budget (3.9 percent) and the endowment payout inflator (4.0 percent) for FY2021.

This increase would position Princeton’s student charges in the lower quartile of our Ivy+ peer group.

### 2019-20 Student Charges

<table>
<thead>
<tr>
<th>2019-20 Tuition &amp; Fees</th>
<th>2019-20 Room &amp; Board</th>
<th>2019-20 Student Charges</th>
<th>1-Year Change</th>
<th>5-Year Annualized Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Columbia 61,850</td>
<td>Harvard 17,682</td>
<td>Columbia 76,274</td>
<td>Brown 5.0%</td>
<td>PRINCETON 4.5%</td>
</tr>
<tr>
<td>Brown 58,404</td>
<td>Yale 16,800</td>
<td>Penn 73,960</td>
<td>Brown 4.9%</td>
<td>PRINCETON 4.5%</td>
</tr>
<tr>
<td>Penn 57,770</td>
<td>Stanford 16,433</td>
<td>Brown 73,736</td>
<td>Stanford 4.2%</td>
<td>PRINCETON 4.5%</td>
</tr>
<tr>
<td>Cornell 57,222</td>
<td>Dartmouth 73,578</td>
<td>Dartmouth 72,468</td>
<td>MIT 4.2%</td>
<td>PRINCETON 4.5%</td>
</tr>
<tr>
<td>Dartmouth 57,204</td>
<td>Yale 72,300</td>
<td>Cornell 72,468</td>
<td>MIT 4.1%</td>
<td>PRINCETON 4.5%</td>
</tr>
<tr>
<td>Yale 55,500</td>
<td>Yale 4.1%</td>
<td>Yale 72,300</td>
<td>Columbia 4.1%</td>
<td>PRINCETON 4.5%</td>
</tr>
<tr>
<td>MIT 53,790</td>
<td>Brown 15,332</td>
<td>MIT 70,180</td>
<td>Columbia 4.1%</td>
<td>PRINCETON 4.5%</td>
</tr>
<tr>
<td>Stanford 53,529</td>
<td>Harvard 69,962</td>
<td>Stanford 69,962</td>
<td>Dartmouth 3.9%</td>
<td>PRINCETON 4.5%</td>
</tr>
<tr>
<td>Harvard 51,925</td>
<td>Harvard 69,962</td>
<td>Harvard 69,962</td>
<td>Penn 3.9%</td>
<td>PRINCETON 4.5%</td>
</tr>
<tr>
<td>PRINCETON 51,870</td>
<td>Cornell 15,246</td>
<td>Princeton 69,020</td>
<td>Harvard 3.0%</td>
<td>PRINCETON 4.5%</td>
</tr>
</tbody>
</table>

In addition, the Priorities Committee recommends eliminating the Residential College Fee, a separate fee charged to first- and second-year students to support programming in the residential colleges. Elimination of the fee makes sense for several reasons. Although students are required to live in their colleges only for the first two years, the University encourages ongoing engagement and participation in the colleges throughout students’ four years. Beginning in 2022 with the opening of the new residential colleges, all colleges will be four-year colleges. This is at odds with the two-year structure of the fee. In addition, the fee is significant ($930 in 2019-20) and appears separately on student bills. Despite our best efforts to make students and families aware of the fee, it is often a surprise and an annoyance to families when they see it on the bill. Finally, the exclusion of the fee from our student charges distorts the comparison of our true student charges with those of peer institutions.

Eliminating the residential college fee will entail a cost of approximately $970,000 annually in foregone revenue to the operating budget, after accounting for the share borne by financial aid. This reduction in revenue will not affect the general fund allocation to support the residential colleges.

With these adjustments to student charges, gross revenue from undergraduates is projected to increase by $11.9 million, or 3.5 percent, to $355.4 million, reflecting the 3.9 percent increase to student charges offset by the elimination of the residential college fee. We anticipate relatively steady undergraduate enrollment levels (+22 students) for 2020-21. By contrast, net revenue from undergraduates, after financial aid, will decrease by $6.5 million, or 4.2 percent, given the expected 9.8
percent increase in the scholarship budget (see the financial aid section under “Uses”). Princeton stands out among its peers for the flatness of its net tuition streams over time. Over the past 20 years, net tuition revenue from undergraduates has increased at a compounded annual rate of only 0.3 percent, even with enrollment growth. That said, this is an important pool of funds, as it provides critical unrestricted dollars to the operating budget each year, enabling opportunities for which the timing or restricted purposes of philanthropic and other sources fail to align.

C. Graduate Stipends

Princeton guarantees funding for the regular program length for all doctoral students (four or five years, depending on the program), assuming they are making satisfactory progress. This funding takes various forms depending on their stage in the program and the norms for the discipline, and consists of a combination of fellowships, research assistantships, and teaching. The Graduate School sets a floor for the minimum funding package to regularly enrolled PhD students to ensure that it covers full tuition and fees plus a stipend amount that covers the estimated living expenses. Financial support for master’s degree candidates varies considerably by school and discipline, with some students receiving partial and others receiving full support.

Each year, the Priorities Committee receives a recommendation from the Dean of the Graduate School aimed at maintaining Princeton’s competitive position in the recruitment of students, keeping pace with cost of living increases, and accounting for enrollment changes. The graduate support budget has increased at a compounded annual rate of 6.7 percent during the past three years, including enrollment increases. The distribution of funding across types and sources tends to remain relatively steady from one year to the next, although we anticipate a slight shift toward research assistantships in FY2021 as recent enrollment increases in Computer Sciences, Chemistry and other sciences transition from fellowship support in the early in their programs to being supported on research grants.

The Priorities Committee endorses increases of 3.1 percent for fellowships, 3.0 percent for research assistant stipends, and 2.7 percent for teaching assistant stipends. The proposed rates will be $35,500 for a twelve-month fellowship, $33,800 for a ten-month teaching assistantship (AI), and $30,800 for a ten-month research assistantship (AR). We expect that these increases will maintain our competitive position relative to peers. The annual admission cycle provides a direct market testing of our stipend levels given the concentration of universities against which we compete for most programs.

The proposed graduate student support budget for FY2021 totals $245.4 million, which is a 6.0 percent increase over the FY2020 projection. Approximately 18 percent of this support comes from external sources, such as sponsored research. The total also includes a one-time $65,000 adjustment to account for a pay schedule shift from September to August as a result of the academic calendar change.

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2 The Graduate School enrolled 2,971 degree-seeking students as of Fall 2019, of which 2,631 (89 percent) are PhD students, and the remainder are master’s students. These figures represent an increase of 53 students of 2 percent, compared to Fall 2018.
3 Departments typically augment the ten-month assistantships with summer support.
4 Spending for graduate student support primarily appears in the budget tables on both the “Financial Aid – Central Graduate” as well as the “Academic Departments” rows under Expenses and Allocations.
D. Endowment Spending

The Board of Trustees has a long-established framework to guide endowment spending rates within a percentage band that measures spending relative to the market value of the endowment. Currently, that framework band calls for payouts between 4.0 percent and 6.25 percent of the market value of the endowment. Managing within this band enables the University to pursue intergenerational equity—the concept that the benefits of the endowment should be balanced between current and future generations of Princeton students. Another important consideration is budget stability: payout from the endowment should be sufficiently predictable to facilitate multi-year financial planning.

The proposed budget assumes a continuation of the 4.0 percent Payout Inflator Assumption (PIA) that commenced in FY2019, after two strategic step increases in FY2017 and FY2018. Between FY2012 and payout per unit has increased by a 7.4 percent compound average annual growth rate.

Projected investment income totals $1.46 billion for FY2021, an increase of $59 million. This increase also reflects payout from new endowment gifts and from cy pres action, which broaden restrictions on a small number of funds.

E. Rental Rates

Princeton maintains a pool of rental properties that enable faculty, staff and graduate students to live close to the University in modest apartments that are maintained at market rates. Each year, the Priorities Committee consults with University Services to benchmark rental rates for faculty, staff, and graduate students compared to the local market for comparable properties, and with consideration of the University’s costs for maintenance and management of our rental properties. The Committee
endorses the recommendation of the Vice President for University Services for an increase of 1.5 percent in rental rates for faculty and staff housing and 2.5 percent for graduate housing.

F. Salary Pools

The University sets salary pools at levels needed to recruit and retain top talent. Each year, the Dean of the Faculty and the Vice President for Human Resources present data to the Priorities Committee about salary trends in the diverse employment markets relevant to the University. The University is committed to maintaining a competitive position with regard to salaries in each of these employment markets.

Faculty Salaries

The University seeks best-in-class talent, and therefore anticipates maintaining faculty salaries near the top of market in each academic discipline. The Priorities Committee endorses the Dean of the Faculty’s recommendation to continue the level of faculty salary pool increases in recent years. 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 historical 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.

Princeton has maintained a consistent approach to the faculty merit pool over the last six years. The Committee concluded that maintaining the same size pool for increases would provide the Dean with the flexibility needed to reward meritorious performance and provide faculty with raises competitive enough to keep them at Princeton.

Staff Salaries

The University seeks to align its staff salaries with market norms, and therefore anticipates maintaining salaries at or above average market levels in each job category. A benchmark database for all HR Staff positions is used to monitor salary alignment with market target and equity across the University.

The Priorities Committee endorses the vice president’s recommendation to continue the same staff salary pool for FY2021 as with FY2020. This recommendation is based on several key factors - national economic indicators, and compensation data from midsize and large employers, Princeton University staff turnover rates, base salary comparisons to market, as well as salary pool distributions from last year. In order to provide fair and equitable pay to all University staff, managers have an array of compensation tools including: the merit increase pool, the special merit pool for the highest performers, and the “Tiger/Spot Awards” program. Additionally, the Office of Human Resources manages a salary adjustment pool to address off-cycle pay adjustments such as reclassification of existing positions and equity adjustments.

G. Cost Savings and Management Initiatives

The Priorities Committee receives an annual report on the work of the Committee to Strengthen University Management and Resources (SUMAR). While cost savings continue to be a goal for SUMAR,
this cabinet-level committee also puts a premium on administrative efficiencies, strengthening operations, and enhancing management practices, which often cannot be translated into direct dollar savings. SUMAR continues to track legacy cost savings and evergreen initiatives (e.g., controlling healthcare and energy savings), and today counts more than 77 projects with potential recurring annual savings of approximately $45.6 million. More recently, SUMAR has championed initiatives that leverage the opportunities of a high-functioning organization, serving as a catalyzing agent for campus-wide initiatives that (1) require the efforts of multiple University units, (2) require significant cultural or policy change, and/or (3) benefit from SUMAR members’ organizational roles, expertise, and broad departmental representation, affording broad institutional perspectives that would not be found in a single department.

In FY2021, SUMAR will turn its focus to two new initiatives, calendar reform and the expansion of the student body, to look for opportunities to evaluate and optimize programs, systems, and/or services in both administrative and academic units. In addition, the committee will continue its efforts towards increasing supplier diversity.

The procurement department has been making progress on increasing the frequency with which University units’ purchases and services are competitively bid, participation rates of bidding from diverse suppliers, and the number of certified diverse suppliers available in the supplier portfolio. As a result, the University has increased expenditures with certified diverse suppliers from 1.8 percent in FY2017 to 10 percent in FY2019. In FY2021, procurement will build on the success of these initiatives through continued external outreach to diverse advocacy organizations and peer institutions to identify and expand our pool of diverse suppliers. Procurement is also making internal reporting and systems enhancements to help departments identify unit-specific opportunities for considering diverse suppliers.

H. OUTLOOK FOR THE FUTURE

The annual budgetary review process of the Priorities Committee includes projections for future years. Items described above, including the upcoming year’s salary pools, fee package, endowment payout, and rents, are critical variables in the baseline budget projection. The projection also includes anticipated growth rates for items not under the University’s direct control, including investment returns and funding for sponsored research.

The University continues to face unpredictable domestic and international relations, policymaking, and financial environments that could impact overall budgetary assumptions in the coming years. Additionally, low unemployment rates and rising inflation continue to exert pressures for more competitive salaries in some administrative roles.

Some of the trends affecting the budgetary projections include:

- Ongoing shifts in the socio-economic composition of the student body continue to expand the financial aid budget faster than other parts of the general budget;
- Shifts in the demographic makeup of the student body require changes in the programming available to students to ensure their success at Princeton;
• Competition to recruit and retain the best faculty remains intense, and we anticipate continued pressures on faculty recruitment start-up package funding;

• Continuing pressures to ensure that we provide the necessary financial support to recruit talented graduate students and enable them to complete their studies successfully; and

• Rising inflation and interest rates impact our compensation levels, program costs, and borrowing costs.

Financial markets have proven resilient despite the fluctuations of the last few years. Additionally, the University maintains targeted reserve funds to mitigate sudden environmental impacts to the budget. Still, it would be unwise to develop budgets that assume consistently strong positive returns, without considering the possible impact of the trends listed above. The costs of future initiatives, operation of and programming in new buildings, infrastructure improvements, and changes to academic programs all must be managed through a careful allocation of resources, consideration of tradeoffs and priorities, targeted fundraising, and identification of new revenue sources.

The University must enhance its efforts to be as efficient as possible, managing growth with careful attention to optimizing resources to best support our priorities. Doing so will continue to provide Princeton with the resources to sustain ongoing enhancements to our excellence in teaching and research while also funding key new strategic initiatives. Princeton is well-positioned to build on its core strengths in the coming years.
IV. Appendices

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

<table>
<thead>
<tr>
<th></th>
<th>(a) Actual</th>
<th>(b) Budget</th>
<th>(c) Projected</th>
<th>(c) - (b) 21 Proj. v. 20 Current</th>
<th>(c) / (b) 21 Proj. v. 20 Current</th>
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<td></td>
<td>FY19</td>
<td>FY20</td>
<td>FY21</td>
<td>$ Chg.</td>
<td>% Chg.</td>
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<td>Investment Income Operating Budget</td>
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<td>130.7</td>
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<td>5</td>
<td>Other Student Fees</td>
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<td>(2.4)</td>
</tr>
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<td>6</td>
<td>Grants &amp; Contract Revenue</td>
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<td>383.0</td>
<td>405.9</td>
<td>22.9</td>
</tr>
<tr>
<td>7</td>
<td>Gift Revenue</td>
<td>108.6</td>
<td>109.3</td>
<td>110.6</td>
<td>1.4</td>
</tr>
<tr>
<td>8</td>
<td>Housing, Dining, Rental, &amp; Event Income</td>
<td>103.1</td>
<td>109.7</td>
<td>112.6</td>
<td>2.9</td>
</tr>
<tr>
<td>9</td>
<td>Other Income</td>
<td>94.3</td>
<td>87.0</td>
<td>88.1</td>
<td>1.1</td>
</tr>
<tr>
<td>10</td>
<td>Transfers (to)/from non-operating</td>
<td>(66.7)</td>
<td>(56.7)</td>
<td>(62.7)</td>
<td>(6.0)</td>
</tr>
<tr>
<td>11</td>
<td>Transfers (to)/from departmental balances</td>
<td>(254.2)</td>
<td>(99.9)</td>
<td>(86.3)</td>
<td>13.6</td>
</tr>
<tr>
<td>12</td>
<td>Total Revenue and Transfers</td>
<td>2,066.6</td>
<td>2,339.8</td>
<td>2,449.4</td>
<td>109.5</td>
</tr>
</tbody>
</table>

Footnote on Annual Giving

Annual Giving-Gifts  | 56.7 | 58.1 | 59.3 | 1.2 | 2.0% |
Annual Giving-Endowment Payout  | 7.4 | 7.8 | 8.1 | 0.3 | 4.0% |

Annual Giving Gifts and Endowment  | 64.2 | 66.0 | 67.4 | 1.5 | 2.2% |
### Operating Budget: ALL OPERATING FUNDS SUMMARY

(dollars in millions)

<table>
<thead>
<tr>
<th>Expense and Allocations</th>
<th>(a) FY19</th>
<th>(b) FY20</th>
<th>(c) FY21</th>
<th>(c) - (b)</th>
<th>(c) / (b)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Actual Final</td>
<td>861.9</td>
<td>909.7</td>
<td>951.0</td>
<td>41.3</td>
<td>4.5%</td>
</tr>
<tr>
<td>Budget v. 20 Current</td>
<td>104.5</td>
<td>120.0</td>
<td>130.0</td>
<td>10.0</td>
<td>8.3%</td>
</tr>
<tr>
<td>Projected v. 20 Current</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>$ Chg.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>% Chg.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1 Academic Departments</td>
<td>175.7</td>
<td>188.3</td>
<td>206.7</td>
<td>18.4</td>
<td>9.8%</td>
</tr>
<tr>
<td>2 Princeton Plasma Physics Laboratory</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>3 Financial Aid - Undergraduate</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>4 Financial Aid - Central Graduate</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>5 University Library</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>6 Office of Information Technology</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>7 University Art Museum</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>8 Academic Admin. and Student Services</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>9 Athletics</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>10 General Administration &amp; Univ. Expense</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>11 Facilities Services</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>12 University Services (Housing, Dining, Other)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>13 Total Expense before allocations</td>
<td>1,801.5</td>
<td>1,910.1</td>
<td>2,011.6</td>
<td>91.5</td>
<td>4.8%</td>
</tr>
<tr>
<td>14 Capital Budget Allocation--Strat. Co-Investment Pool</td>
<td>6.8</td>
<td>173.0</td>
<td>183.0</td>
<td>10.0</td>
<td>5.8%</td>
</tr>
<tr>
<td>15 Capital Budget Allocation--Endowment</td>
<td>97.6</td>
<td>101.5</td>
<td>105.6</td>
<td>4.1</td>
<td>4.0%</td>
</tr>
<tr>
<td>16 Capital Budget Allocation--Annual Programs</td>
<td>145.1</td>
<td>149.3</td>
<td>153.6</td>
<td>4.3</td>
<td>2.9%</td>
</tr>
<tr>
<td>17 Total Allocations to Capital Budget</td>
<td>249.5</td>
<td>423.8</td>
<td>442.2</td>
<td>18.4</td>
<td>4.3%</td>
</tr>
<tr>
<td>18 Total Expense and Allocations</td>
<td>2,051.0</td>
<td>2,333.9</td>
<td>2,443.7</td>
<td>109.9</td>
<td>4.7%</td>
</tr>
<tr>
<td>19 Transfer To Later/ (From) Prior Periods</td>
<td>15.6</td>
<td>6.0</td>
<td>5.6</td>
<td>(0.3)</td>
<td></td>
</tr>
</tbody>
</table>

Footnote on Graduate Student Support by Category, all departments above

| Assistants in Instruction                           | 36.0     | 39.0     | 41.1     | 2.1       | 5.5%      |
| Assistants in Research                              | 45.6     | 51.7     | 57.6     | 6.0       | 11.6%     |
| Graduate Fellowships                                | 136.2    | 140.8    | 146.7    | 5.8       | 4.1%      |

Total Graduate Student Support                      | 217.8    | 231.5    | 245.4    | 13.9      | 6.0%      |
NOTES TO SUMMARY TABLE

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 planned 4% increase in endowment payout per unit for FY2021 and the effect of typical levels of new gifts to endowment principal. Overall operating budget investment income is projected to increase $59 million, to $1.46 billion. No 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 4.3%, the combined result of a provisional 3.9% tuition rate increase and slight enrollment growth according to approved undergraduate and graduate admission plans. Revenue is presented at gross, before deduction of tuition and other forms of undergraduate and graduate student aid (see total graduate student support footnote on page 2).

5 Other Student Fees. Elimination of the residential college fee for first- and second-year undergraduates removes $2.5M from this revenue category. Other student fees, primarily for summer study abroad, reflect normal inflationary increases.

6 Grants & Contract Revenue. A 4.8% increase in the direct and indirect expenses of main campus sponsored research is projected for FY21. 6% overall growth in this line is projected because sponsored expenditures at the Princeton Plasma Physics Laboratory are expected to increase significantly again in FY2021. This line also includes government student aid revenue, such as Pell Grants, which are growing at slower rates; these aid components contribute 5% of the total revenue.

7 Gift Revenue. This line includes unrestricted Annual Giving and expendable gifts for specific departmental programs, research, and other initiatives. Annual Giving gifts—almost 54% of the $110.6 million total—are assumed to grow by 2.0%; while departmental and program gifts are estimated to remain near the FY2020 level.

8 Housing, Dining, Rental, & Event Income: The increase reflects the recommended rate increases for dormitories, rental housing, and dining, as well as projected changes in enrollment that affect housing and dining contracts. The 2.6% overall growth stems largely from the provisional 3.9% undergraduate housing rate increase, with lower rates of increase for non-contract revenue and faculty and staff apartments.

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

10 Transfers (to)/from non-operating. The primary factor in this line is a transfer to cover working capital debt service and reserves. The row also fluctuates due to changes in departmentally funded capital project activity.

11 Transfers (to)/from departmental balances. This records net income and balance increases. The largest categories are transfers to the Strategic Co-Investment Pool reserve, endowment balances held for spending in future periods, and faculty research and other specially designated internal fund balances. Expendable gifts awaiting expenditures on specific programs and purposes in future years are also reflected.
The line fluctuates from year to year as spending trails changes in commitments and receipts. Balances are expected to accumulate more slowly in FY2020 and FY2021 as the Strategic Co-Investment Pool is deployed in support of the enhanced Capital Plan II, and departmental spending more closely matches inflows.

**Expense**

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

1 **Academic Departments.** The increase reflects planned changes in faculty staffing levels, including new faculty positions supported by gift and endowment income. The tuition component of graduate student teaching and research assistantships rises in line with the proposed tuition increase. Sponsored research direct costs rise in line with the trends described above. The increase also includes inflationary adjustments to academic departmental budgets and projected expenditure growth in departmentally managed gift, endowment, and internally designated funds, such as those for faculty research, recruitment, and retention.

2 **Princeton Plasma Physics Laboratory.** Estimated expenditures at the Laboratory increase as it spends on major capital projects and expects the resumption of a major experimental system that has been under upgrade for several years (NSTX-U).

3 **Financial Aid - Undergraduate.** The 9.8% increase reflects the recommended 3.9% fee package increase, elimination of the summer work requirement and a number of other changes noted in the Provost’s memo to the Committee, as well as a projected 47-student increase in the total number of awards arising from variations in the size and aid profiles of the graduating and entering classes. Given that endowment/trust fund income restricted for scholarships is growing at just over 4%, the share of the total aid borne by these funds is expected to fall to 80%, from 84% this year. $11.8 million of the $18.4 million projected increase is expected to fall on the General Fund, increasing its relative share to 14% of the total. Government, gift, and outside aid funds support the other 6% of the $206.7 million total.

4 **Financial Aid - Graduate.** This line includes only graduate aid expenses charged to the Graduate School. As indicated in the “Footnote on Graduate Student Support by Category,” graduate student support in all departments is projected at a 6% increase. The $14 million increase reflects the recommended tuition and stipend rate increases, as well as an increase in the number of fellowships. Approximately 21% of the $245 million total is charged to departmental restricted and designated funds, and 18% to outside grants, including sponsored research.

5 **University Library.** Increase reflects normal inflationary adjustments (including a 5% increase in the acquisitions budget) and an appropriate share of the recommended salary pool.

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

7 **University Art Museum.** Includes all curatorial, exhibition, preservation, storage, and other operating costs. FY2020 includes large periodic acquisition purchases that will not recur in FY2021.
8 Academic Administration and Student Services. Includes the Deans of the Faculty, College, Graduate School, Religious Life, and Undergraduate Students; the offices of the Provost, Admission, and Financial Aid; the Vice President for Campus Life, Career Services, and University Health Services; and other offices primarily devoted to central support of the academic mission.

9 Athletics. Includes varsity and recreational sports and Friends groups.

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

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

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

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

14 Capital Budget Allocation—Strategic Co-Investment Pool. This new row records additional, non-base allocations to the Capital Budget, to augment Capital Plan II.

15 and 16 Capital Budget Allocation—Endowment and Annual Programs. These rows report planned transfers from the Operating Budget to the Capital Budget, to help cover the costs of major maintenance and renovation projects, including amortization of such expenses. Planned allocations will total $259 million in FY2021. The “Endowment Allocation” component tracks the baseline growth in underlying endowment funds, generally 4% per year. The “Annual Programs” allocations generally grow by 3% per year, with exceptions for several non-inflating commitments. The increases are consistent with the current ten-year capital plan.