



PRINCETON UNIVERSITY
REPORT OF THE PRIORITIES COMMITTEE
TO THE PRESIDENT

**Recommendations Concerning the Operating
Budget for 2018-2019**

April 4, 2018



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Deborah A. Prentice
Provost

April 4, 2018

President Christopher L. Eisgruber
One Nassau Hall
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Dear President Eisgruber,

I am pleased to present the annual report of the Priorities Committee, with recommendations for the University's operating budget for fiscal year 2018-19 (FY2019).

The Priorities Committee benefited this year from favorable budgetary circumstances. The University endowment continues to show strong returns under the stewardship of Andrew Golden and his colleagues at PRINCO; sponsored research revenues are robust; and Annual Giving set a new record last year, thanks to the extraordinary generosity of Princeton's alumni. In addition, efforts to moderate increases in health-care costs and savings on energy have produced positive budget variances in recent years. Not all of the news is good, however: Congress recently enacted a new 1.4 percent tax levied on the "net investment income" of Princeton and other private colleges and universities. The precise impact of this tax on the University's budget remains to be determined, but there is no question that it will force trade-offs among our University priorities. In general, we continue to face an uncertain economic and policy environment, with implications that no one can predict but that we must recognize and factor into our planning.

In this budgetary context, the Priorities Committee recommended additions to the operating budget that focus on three main goals: recruiting and retaining the best students, faculty, and staff; increasing access and affordability; and supporting success in a diverse student body. With this last goal in mind, the Committee is pleased to endorse a proposal from the Graduate School and the Graduate Student Government to expand the benefits available to graduate students with dependent children. With this expansion of benefits, international-student parents and single parents will be in a better position to support their families while they complete their degrees.

Access and affordability remain key principles guiding decisions on Princeton's fee package and financial aid. The Priorities Committee is pleased to endorse an increase in the Financial Aid budget that maintains Princeton's commitment to meeting full financial need for all students who are admitted. The \$174.2 million undergraduate scholarship budget for FY2019 represents a 7.7 percent (\$12.4 million) increase over the current year. The Committee deliberated on the increase in the fee package in

consultation with members of the Board of Trustees Committee on Finance. The fee package recommendation recognizes the need for tuition revenue to support the excellence of teaching and research at the University, balanced by the importance of ensuring affordability for all students.

As you know, Princeton subsidizes the education of every student, even those paying the entire fee package. That commitment has allowed us to diversify the makeup of our student body in exciting and impactful ways. For instance, the proportion of students eligible for federal Pell Grants, restricted to low-income students, has increased to 22 percent of students in the Class of 2021, up from 17 percent of the Class of 2019 and 7 percent of the Class of 2008. Numerous national news outlets, including the *Kiplinger's*, continue to highlight Princeton as the top value for the money in higher education, which is a statement both about affordability and about the quality of the education this University provides. To enable us to continue to provide a top-quality education that is affordable for every family, the committee is recommending a 4.9 percent increase in the undergraduate student fee package. Even with this increase, the total fee package still ranks Princeton at the bottom of our peer group, and the full annual price of a Princeton education will remain considerably less than the per student cost of providing the education.

In its discussion of faculty and staff salary pools, the Priorities Committee focused on the question of what it will take to recruit and retain top talent in the year ahead. After reviewing data on salary markets presented by the Dean of the Faculty and the Vice President for Human Resources, the Committee saw the need for a slightly larger increase in the staff salary pool to remain competitive in an environment of low unemployment and the potential for rising inflation. The Committee was satisfied that an increase in the faculty salary pool equal to the increase in FY2018 would be sufficient to keep the University competitive for top faculty talent.

I am grateful to the faculty members, students, and staff members of the Priorities Committee who invested many hours in carrying out their responsibilities on behalf of the University community. Their thoughtful engagement and public-spirited contributions are what make the Priorities Committee process so very valuable. I also want to recognize several people who supported the Committee in its work, including Steven Semenuk, Karen Haskin, Richard Myers, and Kelly Steve. Each of them brings a unique perspective, complementary skills, and genuine devotion to their role in this important process.

Sincerely,



Deborah Prentice, Provost
Chair, Priorities Committee

The Committee

Deborah Prentice, Provost (Chair)

Faisal Ahmed, Assistant Professor of Politics

Carolyn Ainslie, Vice President for Finance and Treasurer

Michael Asparrin '19

Mitchell Duneier, Maurice P. Durning Professor of Sociology

Patrick Flanigan '18

Andrea Graham, Associate Professor of Ecology and Evolutionary Biology

Sarah Islam *GS

Sanjeev Kulkarni, Dean of the Faculty

Annick La-Branche '20

Alexander Ploss, Assistant Professor of Molecular Biology

Rodney Priestley, Associate Professor of Chemical and Biological Engineering

Sal Rosario, Senior IT Project Consultant, Office of Information Technology

Miranda Rosen '18

He Sun *GS

Susan Wheeler, Professor of Creative Writing in the Lewis Center for the Arts

Treby Williams, Executive Vice President

Meeting with the Committee

Karen Haskin, Assistant Provost, Secretary to the Committee

Richard Myers, Vice Provost for Academic and Budget Planning

Steve Semenuk, Operating Budget Director

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

The Priorities Committee 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 SUMAR (the committee on Strengthening University Management and Resources) aimed at improving efficiency and enhancing management.

The Committee is committed to putting into practice the principle that a Princeton education should be affordable and accessible to any family, while also ensuring that the long-term budgetary health of the University and its ability to provide the support needed to maintain its status as a world-class teaching and research institution.

The Committee convened from October to March, organizing its work into four 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; (3) discussing a few selected topics central to the University's mission and priorities, including undergraduate financial aid and initiatives to support graduate students; and (4) finalizing the Committee's recommendations and preparing this report. 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), to solicit feedback from interested members of the broader University community.

This report summarizes the Committee's recommendations, 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 a loyal and generous base of donors. The operating budget has benefited in recent years from moderating increases in health care costs and record levels of alumni

annual giving. However, the Committee recognizes that there is no guarantee that recent stability will continue indefinitely, and that the costs of providing an outstanding Princeton education will continue to rise.

Based on the Committee's recommendations on key parameters, the projected operating budget for FY2019 totals \$2.26 billion. Net endowment payout and other investment income account for \$115 million of the overall \$156 million revenue growth between FY2018 and FY2019. Net investment income supports 55 percent of the expense budget. As part of University strategic planning, the trustees approved a 19 percent endowment payout increase for FY2018 and are expected to finalize, as part of the overall budget proposal, a 4 percent increase for FY2019 at their April 2018 meeting.

It is important to also recognize that the University is facing an unpredictable policymaking and financial environment that could impact overall budgetary assumptions in the coming years. Congress recently enacted a new 1.4 percent tax levied on the "net investment income" of Princeton and other private colleges and universities with more than 500 students and assets valued at more than \$500,000 per full-time student. The exact impact of the tax on the University's budget is unknown at this time, but we recognize that it will affect our long-term budget planning and will require trade-offs among University priorities.

Additionally, low unemployment rates and the potential for rising inflation have resulted in pressures for more competitive salaries in some administrative functions.

Details on sources and uses in the FY2019 operating budget, as well as changes from FY2018, can be found in the tables in the Appendix.

III. Recommendations

A. Undergraduate Financial Aid

Accessibility and affordability remain the key principles guiding decisions on Princeton's fee package and financial aid, a commitment the University maintains for families across a wide income range. The Committee on Undergraduate Admissions and Financial Aid (CUAFA) proposed a scholarship budget that ensures financial aid packages will keep pace with rising costs, what we refer to as the "stay even" financial aid policy. The CUAFA proposal also accounts for shifts in the need profile of the entering undergraduate class. The Priorities Committee endorsed the proposed scholarship budget of \$174.2 million for FY2019, representing a 7.7 percent (\$12.4 million) increase over the expected FY2018 cost.

As part of its "stay even" financial aid procedure, the University adjusts scholarships to cover fully year-to-year increases in student fees. This means that for financial aid students – approximately 60 percent of the undergraduate student body – any changes to the family's net costs (including parental contributions) are determined by year-to-year changes in the family's financial circumstances as assessed by the financial aid office, and not by increases in the full tuition, room, and board rates.

We adjust the total scholarship budget to account for the changing need profile of our students. The FY2019 aid budget projects that the percentage of students receiving aid across all four classes will continue to average close to 60 percent. We project an average scholarship grant of \$54,950 to those receiving aid, a figure adjusted for any proposed fee package increase. An estimated 61 percent of the incoming first year class will receive financial aid. The final costs of financial aid will depend on the matriculation decisions of our applicants and their actual financial need.

B. Graduate Stipends

In the fall of 2017, the Graduate School enrolled 2,845 students, with doctoral students making up 88 percent of the graduate student body. The budget for financial support for graduate students has three components: tuition and health insurance coverage, fellowships, and teaching/research stipends. Each year, the Dean of the Graduate School recommends rate increases for fellowships and stipends, to keep pace with increases in the cost of living while also maintaining Princeton's competitive position in student recruitment. We maintain this competitive position by offering graduate stipend levels at comparable rates to our peer institutions; this ensures we continue to recruit top talent into our graduate programs.

The Committee reviewed and endorsed the Dean of the Graduate School's recommendations. The \$212 million budget for graduate student financial support in FY2019 reflects a recommended increase of 3.1 percent for fellowships, 3.0 percent for research assistant stipends and 3.1 percent for teaching assistant stipends. The proposed rates for FY2019 are \$33,400 for twelve-month fellowship, \$32,050 for a ten-month teaching assistantship, and \$29,000 for a ten-month research assistantship.

C. Student Fee Package

Princeton subsidizes the education of every student, even those paying the entire fee package. The full cost of a year of undergraduate education is nearly two times the fee package.

The University's financial aid program is designed to conform to the principle that a Princeton education should be affordable and accessible to any family. The Priorities Committee reaffirmed the University's fundamental commitment to this principle when considering the proposed fee package. Its dialogue with the Finance Committee of the Board of Trustees in January reinforced this commitment. No matter the size of the fee package, 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. Financial aid is awarded based on need to low-, middle-, and even some high-income families. For example, approximately 18 percent of families receiving aid have total annual incomes above \$180,000, and approximately 7 percent have total annual incomes of

\$240,000 or more. (Higher income families qualify for need-based aid under exceptional circumstances such as multiple children in college or other dependent care needs.)

The Committee spoke extensively to the Director of Financial Aid to understand how fee package increases affect the families of Princeton students. The “stay even” policy insulates students on aid from increasing costs of attendance: 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.

The financial aid budget reflects the continuing shift in the need profile of undergraduate students at Princeton. For example, the proportion of students eligible for federal Pell Grants, restricted to low-income students (with family incomes of approximately \$48,000), has increased to 22 percent of students in the Class of 2021, up from 17 percent of the Class of 2019 and 7 percent of the Class of 2008.

The Priorities Committee endorses a 2018-19 undergraduate student fee package of \$65,810 (an increase of \$3,060 from last year). This FY2019 student fee package recommendation consists of \$49,450 for tuition, an increase of \$2,310. Room charges will increase by \$540 to \$9,520 and board rates will increase \$210 to \$6,840. Even with this year’s proposed changes, Princeton’s fee package remains the lowest of any university in its peer group.

Princeton’s commitment to financial aid through its “stay even” approach means that the *net* revenue to the University, after financial aid, grows at a much slower rate than the annual fee increases. The gross 4.9 percent student fee increase for 2018-19 is expected to generate a 1.8 percent increase in revenues to the University. The difference is explained by the 7.7 percent increase in the scholarship budget, which covers the fee increase for students receiving aid based on financial need. The net tuition, fees, and room and board revenue will increase by \$2.5 million for 2018-19, or \$473 per undergraduate student. The relationship between “sticker price” and net revenue has been relatively consistent over the past five years.

Undergraduate Student Revenue
Compounded Annual Growth Rates (CAGR)
(FY2014 to FY2019)

	1-yr CAGR	5-yr CAGR
Student Fee Package	4.9%	4.1%
Scholarship Expense	7.7%	7.5%
Net Student Fee Pkg Revenue	1.8%	0.8%
Net Tuition Revenue	-0.5%	-1.0%
Undergrad Enrollment	0.0%	0.1%

The Committee reflects on the University’s values and mission when deliberating changes to the fee package and takes into account many indicators of affordability, including whether there is undue financial pressure on non-aid families and whether the non-aid students are able to take advantage of the full array of Princeton’s educational opportunities. These indicators uniformly show that the proposed 4.9 percent increase in the fee package is consistent with the University’s commitment to

affordability for all students, while providing critical unrestricted revenue to pursue excellence in its educational mission.

D. Endowment Spending

The Board of Trustees has a long-established framework to guide endowment spending rates within a percent 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.

Because of the robust performance of the University’s investments over the last decade, and in concert with the strategic framework, the trustees approved successive increases to the University’s rate of spending on its endowment in FY2017 and FY2018. Most of the increased endowment payout was reserved in a strategic investment pool to fund and co-fund high-priority initiatives that emerged from the strategic planning process and consistent with donor restrictions. The spending to date against that strategic investment pool is described in Section H. For FY2019, the recommendation is an endowment payout increase of 4 percent in concert with preserving the purchasing power of the endowment and intergenerational equity.

The proposed 4 percent payout increase per endowment unit will maintain the projected spending rate within the band. The trustees will review the payout increase annually, but we expect to maintain this rate as our planning assumption for the next five years.

E. Rental Rates

The Priorities Committee consulted with University Services to benchmark rental rates for faculty, staff, and graduate students compared to the local market for similar properties, and with consideration of the University’s costs for maintenance and management of our rental properties. The Committee endorsed the recommendation of the Vice President for University Services for an increase of 3.0 percent in rental rates for FY2019.

F. Salary Pools

The Dean of the Faculty and the Vice President for Human Resources each presented data to the Priorities Committee about salary trends in the diverse employment markets relevant to the University.

The university maintains a competitive position with regard to salaries, in a challenging environment for recruiting and retaining top talent.

Faculty Salaries

The Priorities Committee endorsed 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 five years. The Committee concluded that a merit pool identical to last year's would both 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 Vice President of Human Resources provided detailed information on Princeton's salary position within the various markets for employees, including benchmarks and inflationary indicators. Princeton has completed its market analysis of every HR staff position salary; the results indicate our salaries align with our compensation philosophy and guidelines. A benchmark database for all HR Staff positions is used to monitor salary alignment with market targets and internal equity.

The Priorities Committee endorsed the vice president's recommendation for slightly higher staff salary increases for FY2019 than for the current 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/Stripe Awards" one-time lump sum 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 SUMAR (Strengthening University Management and Resources) committee sponsors initiatives to strengthen University management functions, implement cost-controlling measures, and ensure regulatory compliance. For FY2018, SUMAR focused on 3 priorities: controlling healthcare costs; increasing supplier diversity; and reducing single occupancy vehicles on campus. Each of these priorities are campus-wide initiatives requiring expertise and cooperation across multiple University units. The Office of Human Resources continues its multi-year effort to control rising healthcare costs by utilizing several strategies to support employee health and encourage effective use of healthcare systems. The

Office of Finance and Treasury is working to increase the frequency with which University purchases are competitively bid and ensuring that when bids occur, diverse firms are well represented. To reduce the number of single occupancy vehicles on campus, FY2018 is the start of a phased approach to achieve this goal via the Revise Your Ride program that offers incentives to staff who utilize mass transit rail and bus programs, van and carpool programs, and bike and walk programs. The committee continues to seek ways to enhance the effective management of University resources.

H. Programmatic Investments

Strategic Planning Initiatives

The preliminary FY2019 budget reflects commitments totaling \$23.2 million against the proposed “strategic investment pool.” Approximately \$20.3 million of this amount represents claims on the ongoing, base budget portion of the pool. Significant base budget commitments include additional scholarship support as the need profile of the entering class continues to shift, establishment of a sixth-year graduate fellowship program in the social sciences and humanities, tuition matches to faculty for graduate-student support on their grants, expansion of the Development operation by approximately 25 positions in preparation for an upcoming philanthropic campaign, and expanded support for alumni engagement. An additional \$2.9 million represents term commitments that will stretch into FY2019. New commitments to strategic initiatives may be added to the FY2019 budget, especially to support innovation, data science, and student aid.

Expanded Family-Friendly Benefits for Graduate Students

The Office of the Dean of the Graduate School offers graduate students with children a Student Child Care Assistant Program (SCCAP) to help students meet the cost of child care expenses for up to two pre-kindergarten-aged children, with a maximum award of \$5,000 per child. Strict eligibility criteria limits the availability of this assistance based on the employment status of the graduate student’s spouse or partner.

The Graduate School, with the support of the Graduate Student Government (GSG), proposed to (1) remove restrictions pertaining to the employment status of the partner or spouse, and (2) expand the eligible grant uses to include housing and dependent health insurance. Additionally, they propose to redefine the benefit to apply to dependent children under the age of six; for single parents, the age limit for dependent children would be raised to age 12. The estimated costs of the expanded family-friendly benefits program are \$535,000 per year. The Priorities Committee supported these recommendations.

The Graduate School submitted a second proposal that requested funds to equalize subsidies for students who receive external fellowships. The Priorities Committee saw merit in this proposal but viewed it as lower in impact, and therefore lower in priority, than the family-friendly benefits proposal.

The Committee decided to defer the request and to encourage the Graduate School to address these goals with existing funds.

Undergraduate Financial Aid: Student and Family Contribution

The Committee on Undergraduate Admission and Financial Aid and the Office of the Dean of the College submitted a proposal to change the way that the student contribution portion of the financial aid package is structured. Specifically, they recommended changes that would provide students on financial aid with greater flexibility in how and when they earn the funds they are expected to contribute to the package. The Priorities Committee was strongly supportive of the goals of this proposal and began to explore different ways of designing and implementing changes to the financial aid program that would achieve these goals. This work will continue with next year's Priorities Committee.

I. 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.

Some of the trends affecting the budgetary projections include:

- Competition to recruit and retain the best faculty remains intense, and we anticipate continued pressures on faculty recruitment start-up package funding;
- Ongoing shifts in the socio-economic composition of the student body will continue to expand the financial aid budget faster than other parts of the general budget;
- Shifts in the demographic makeup of the student body also necessitate changes in the programming available to students to ensure their success at Princeton;
- Commitment to our graduate students to ensure that they have the necessary financial support to complete their studies successfully; and
- Rising inflation and interest rates.

External regulations and taxes have the potential to impact our budget, including the new tax of the University's investments (although the size of the impact has yet to be determined). Financial markets have remained strong, even in the face of budget turmoil in Washington. 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, infrastructure, and changes to academic programs, must be managed through the reallocation of resources, reprioritization of activities, targeted fundraising, or new revenue.

While the University is on solid financial footing, we must enhance our efforts to be as efficient as possible. We will need to manage growth with careful attention to optimizing resources to best support our priorities. Efficient use of our existing assets—in combination with funds generated by the endowment payout increase and fundraising from alumni, donors, foundations, and corporations—continue to provide Princeton with the resources to sustain ongoing enhancements to our excellence in teaching and research and to fund key initiatives identified in the strategic planning framework. Princeton is well-positioned to build on its core strengths in the coming years.

IV. Appendix

The tables that follow provide details on revenue and expenses in the final FY2017 budget, the current FY2018 budget, and the projected FY2019 budget.

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

	(a) FY17 Actual Final	(b) FY18 Budget Current	(c) FY19 Projection	(c)-(b) 19 PC Proj. v. 18 Current \$ Chg.	(c)-(b) 19 PC Proj. v. 18 Current % Chg.	
Revenue						
1	Investment Income Operating Budget	942.9	1,131.5	1,246.5	115.0	10.2%
2	Tuition-Undergraduate	233.7	243.4	255.4	12.0	4.9%
3	<u>Tuition-Graduate</u>	<u>104.6</u>	<u>111.3</u>	<u>118.2</u>	<u>6.9</u>	<u>6.2%</u>
4	Total Tuition	338.3	354.7	373.7	19.0	5.3%
5	Other Student Fees	5.3	5.0	5.1	0.1	2.5%
6	Grants & Contract Revenue	343.4	354.8	366.6	11.7	3.3%
7	Gift Revenue	101.7	88.9	91.5	2.6	2.9%
8	Housing, Dining, Rental, & Event Income	99.9	103.6	108.2	4.6	4.4%
9	Other Income	72.8	67.5	68.4	0.9	1.3%
10	<u>Transfers (To)/from departmental balances</u>	<u>(44.7)</u>	<u>3.5</u>	<u>5.2</u>	<u>1.7</u>	<u>49.0%</u>
11	Total Revenue and Transfers	1,859.6	2,109.6	2,265.2	155.5	7.4%
	<i>Footnote on Annual Giving</i>					
	<i>Annual Giving-Gifts</i>	65.5	55.0	56.6	1.6	2.9%
	<u><i>Annual Giving-Endowment Payout</i></u>	<u>5.9</u>	<u>7.0</u>	<u>7.3</u>	<u>0.3</u>	<u>4.0%</u>
	<i>Annual Giving Gifts and Endowment</i>	71.4	62.0	63.9	1.9	3.0%

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

	(a) FY17 Actual Final	(b) FY18 Budget Current	(c) FY19 Projection	(c)-(b) 19 PC Proj. v. 18 Current \$ Chg.	(c)-(b) 19 PC Proj. v. 18 Current % Chg.
Expense and Allocations					
1 Academic Departments	758.6	843.9	878.9	35.0	4.2%
2 Princeton Plasma Physics Laboratory	115.1	110.0	110.0	(0.0)	0.0%
3 Financial Aid - Undergraduate	149.3	161.8	174.2	12.4	7.7%
4 Financial Aid - Central Graduate	20.3	22.2	23.1	0.9	4.0%
5 University Library	64.4	69.2	72.3	3.1	4.5%
6 Office of Information Technology	58.2	62.0	65.1	3.1	5.0%
7 University Art Museum	15.4	16.6	17.2	0.6	3.4%
8 Academic Admin. and Student Services	104.9	106.9	111.2	4.3	4.1%
9 Athletics	31.6	32.3	33.2	1.0	3.0%
10 General Administration & Univ. Expense	125.6	135.3	147.0	11.7	8.6%
11 Facilities Services	122.1	127.9	132.5	4.7	3.6%
12 University Services (Housing, Dining, Other)	58.9	65.5	67.3	1.8	2.7%
13 Pending Central Strategic Initiatives Allocations	11.5	120.2	190.1	69.9	58.1%
14 Capital Budget Allocation--Endowment	75.0	90.7	97.6	6.8	7.5%
15 <u>Capital Budget Allocation--Annual Programs</u>	<u>146.8</u>	<u>141.1</u>	<u>145.1</u>	<u>4.1</u>	<u>2.9%</u>
16 Total Expense and Allocations	1,857.6	2,105.5	2,264.8	159.3	7.6%
17 Surplus or (Deficit)	1.9	4.1	0.4	(3.8)	
18 Transfer (To Later)/ From Prior Periods	(1.9)	(4.1)	(0.4)	3.8	
<i>Footnote on Graduate Student Support by Category, all departments above</i>					
<i>Assistants in Instruction</i>	<i>31.3</i>	<i>32.3</i>	<i>33.6</i>	<i>1.3</i>	<i>4.0%</i>
<i>Assistants in Research</i>	<i>38.5</i>	<i>40.3</i>	<i>41.8</i>	<i>1.5</i>	<i>3.8%</i>
<u><i>Graduate Fellowships</i></u>	<u><i>120.8</i></u>	<u><i>129.5</i></u>	<u><i>137.0</i></u>	<u><i>7.5</i></u>	<u><i>5.8%</i></u>
<i>Total Graduate Student Support</i>	<i>190.7</i>	<i>202.1</i>	<i>212.4</i>	<i>10.3</i>	<i>5.1%</i>

NOTES TO SUMMARY TABLES

Revenue

1 Investment Income. 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 line is net of reinvestments, endowment balance transfers to future periods, and use of working capital endowment payout for taxable debt service. The increase reflects the planned four percent increase in per-unit endowment payout for FY19, along with growth in investment income streams not governed by the endowment spending rule. The percentage increase is higher than the endowment growth parameter because planned FY18 payout reinvestment lowered that year's net investment income.

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

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

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

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

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

9 Other Income. This line reflects projected volume and inflationary adjustments in the various sale-of-service units and other income accounts that not reported in specific revenue lines above.

10 Transfers (To)/From Departmental Balances. This line reports additions and subtractions from prior-period balances in various departmental funds.

Expense

An appropriate share of the salary pools recommended by the Priorities Committee appears on each line except 2, 3, 4, 13, 14, and 15.

1 Academic Departments. The increase reflects planned changes in faculty staffing levels, including new faculty positions supported by gift and endowment income. The tuition component of graduate student fellowships and teaching and research assistantships rises in line with the proposed tuition increase. The increase also includes inflationary adjustments to academic departmental budgets and projected expenditure growth in departmentally managed funds, as well as additions related to strategic initiatives.

2 Princeton Plasma Physics Laboratory. No change.

3 Financial Aid - Undergraduate. The increase reflects the recommended increase in the fee package and a projected increase in the total number of grants due to variations in the size and aid profiles of the graduating and entering classes.

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

5 University Library. Reflects normal inflationary adjustments for staff and acquisitions.

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 direct costs of museum operations.

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

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

10 General Administration and University Expense. This includes central business functions such as the offices of the President, Executive Vice President, Vice President for Human Resources, General Counsel, Vice President for Finance and Treasurer, Vice President for Advancement, Vice President for Communications and Public Affairs, and the like. The line also includes university-wide expenses, such as dependent tuition benefits, contingencies, and the Priorities Committee allocation pool.

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

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

13 Pending Central Strategic Initiatives Allocations. This line reflects the portion of Strategic Initiatives payout increases that are reserved to cover purposes in future fiscal years as the strategic and campus plans are carried out.

14 Capital Budget Allocation--Endowment. This line reflects annual allocations to the Capital Budget, from the Operating Budget, that are linked to growth of specific designated infrastructure endowments. These allocations help cover the costs of major maintenance and renovation projects.

15 Capital Budget Allocation--Annual Programs Transfer. This line reflects the sum of annual allocations to specific program categories of the Capital Budget, from the Operating Budget. Growth in these lines is not tied specifically to endowment increase parameters, and generally see a lower rate of annual increase. As with line 14, these allocations are a primary source of yearly funding for the Capital Budget.