



PRINCETON UNIVERSITY
REPORT OF THE PRIORITIES COMMITTEE
TO THE PRESIDENT

**Recommendations Concerning the
Operating Budget for 2019-2020**

April 1, 2019



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Deborah A. Prentice
Provost

April 1, 2019

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

Dear President Eisgruber,

I am pleased to present the annual report of the Priorities Committee, with recommendations for the University's operating budget for fiscal year 2019-20 (FY2020).

Princeton is well-positioned to build on its core strengths in the coming years. 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—all informed by a clear sense of mission, priorities, and direction. While financial markets have proven resilient in the wake of a mid-fiscal year correction in December, the Committee's work is informed by other trends that could pressure the University's budget in the near term, such as programming and scholarship support for the ongoing (and welcomed) shifts in the socioeconomic composition of our student body; heightened competition for talented faculty, staff, and graduate students; and signals that inflation may be re-emerging. As always, we make budget commitments for the coming year informed by the potential costs of future initiatives, infrastructure needs, and changes to academic programs--considering tradeoffs among priorities, opportunities for new operational efficiencies and reallocation, and the potential for targeted fundraising and other new revenue.

Princeton's financial aid program remains among the most generous in the country. Following our "stay-even" policy, we adjust students' financial aid packages to keep up with rising costs. The Priorities Committee endorses an increase in the scholarship budget that maintains Princeton's commitment to meeting full financial need for all students who are admitted. The \$187.4 million undergraduate scholarship budget for FY2020 represents a 7.2 percent (\$12.6 million) increase over the current year. It assumes that the proportion of undergraduate students on aid will increase slightly to 62 percent and that the average grant award, among those with aid, will increase 6.6 percent, from \$53,572 to \$57,087.

After two year of analysis and deliberation, this year’s Committee endorsed a proposal from the Committee on Undergraduate Admission and Financial Aid to restructure our self-help expectations for undergraduate students, effective with the Class of 2024. We will replace the separate summer savings and term-time work expectations with a single, lower student contribution amount that is tied to the average cost of books and personal expenses (\$3,500 currently). This change will not affect the operating budget for FY2020; the costs will first appear in the FY2021 operating budget and will total approximately \$760,000 annually once phased in fully. We believe this change will provide students with more flexibility to meet the self-help expectation across the calendar year, affording additional opportunities to participate in academic-related programs and unpaid internships during the summer. We also suspect that the new approach will present a much more intuitive picture of financial obligations relative to the bill and aid package to students and their families.

Princeton subsidizes the education of every student, even those paying the entire fee package. To enable a top-quality education that is affordable for every family, the Committee recommends 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 that education. The Committee discussed the increase in the fee package with the Board of Trustees Committee on Finance in January. 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. With the proposed increase to the student fee package, we project that net revenue from undergraduate tuition available to support operations will increase by 1.1 percent to \$84.3 million for FY2020. This continues a longer-term pattern of nearly flat net revenue growth for undergraduate tuition for the past two decades.

The Priorities Committee focused on the recruitment and retention of top talent as it reviewed recommendations for faculty and staff compensation recommendations for 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 endorsed proposals for a slightly larger increase in the staff salary pool in response to evidence of rising inflation and the same level of increase as last year for the faculty salary pool. The Committee remains confident that these pools will allow the University to maintain competitiveness with its relevant markets.

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.

Sincerely,



Deborah Prentice, Provost
Chair, Priorities Committee

The Committee

Deborah Prentice, Provost (Chair)

Jonathan Balkind *GS

Zoe Chazen '19

Mitchell Duneier, Maurice P. Daring Professor of Sociology

Andrea Graham, Associate Professor of Ecology and Evolutionary Biology

Matthew Karp, Assistant Professor of History, Elias Boudinot Bicentennial Preceptor

Sanjeev Kulkarni, Dean of the Faculty

Caasi Love, Assistant Manager, Facilities Budget & Finance

Kenneth Molinaro, Interim Vice President of Finance & Treasurer

Michael Mueller, Associate Professor of Mechanical and Aerospace Engineering

Chika Okeke-Agulu, Professor of Art and Archaeology and African American Studies

Kat Powell '20

Markus Prior, Professor of Politics and Public Affairs

Jaime Sanchez. Jr. *GS

Samuel Vilchez Santiago '19

Ashley Scott '21

Treby Williams, Executive Vice President

Meeting with the Committee

Richard Myers, Deputy Provost for Resource 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 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 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 through February, 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; (3) discussing a proposal to restructure the student contribution portion of financial aid packaging. 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, 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, the organization at all levels has a clear sense of mission, priorities, and direction. The operating budget has benefited in recent years from significant increases in the amount of endowment payout available, stemming from adjustments to the payout inflator for two successive years (FY2017 and FY2018). The Committee recognizes that the recent favorable conditions for the budget will not continue indefinitely, and that the costs of providing an outstanding Princeton education will continue to rise.

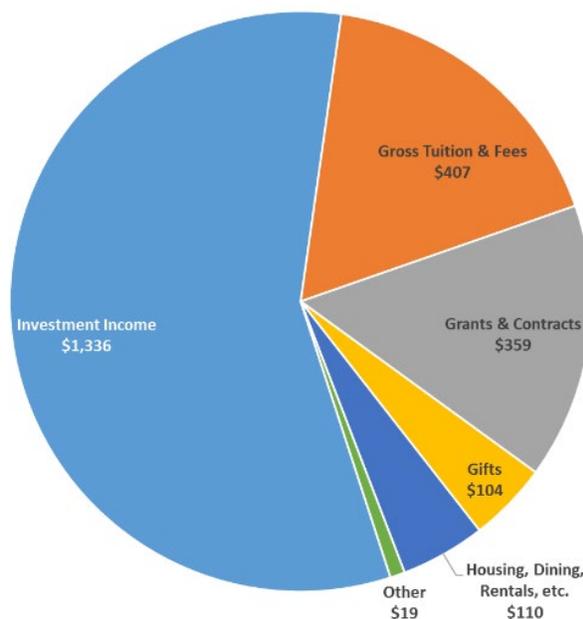
Based on the Committee’s recommendations on key parameters, the projected operating budget for FY2020 totals \$2.33 billion. Investment income and gross tuition revenue account for nearly 75 percent of operating revenues. Grants and contract revenue contribute the majority of the remainder (15 percent of total), which is expected to increase by a modest 1.3 percent for FY2020. We assume an increase of 2.0 percent for sponsored research on the main campus, excluding the Princeton Plasma Physics Lab. We project that Annual Giving and term gifts to specific departments and programs will increase by 2.9 percent (growth of \$1.6 million) and 2.0 percent (\$1.2 million), respectively.

The University continues to face an unpredictable policymaking and financial environment that could impact overall budgetary assumptions in the coming years. For example, the Internal Revenue Service still has not provided clear guidance regarding the implementation of the recently enacted a new 1.4 percent tax levied on the “net investment income” of Princeton and a small number of other private colleges and universities. While the exact impact of the tax on the University’s endowment remains uncertain, we recognize that it will affect our long-term planning and may require trade-offs among University priorities.

Additionally, low unemployment rates and rising inflation are beginning to exert pressures for more competitive salaries in some administrative roles.

Details on sources and uses in the FY2020 operating budget, as well as changes from FY2019, can be found in the tables in the Appendix.

OPERATING REVENUE BY TYPE, FY2020 PROPOSED
Dollars in Millions



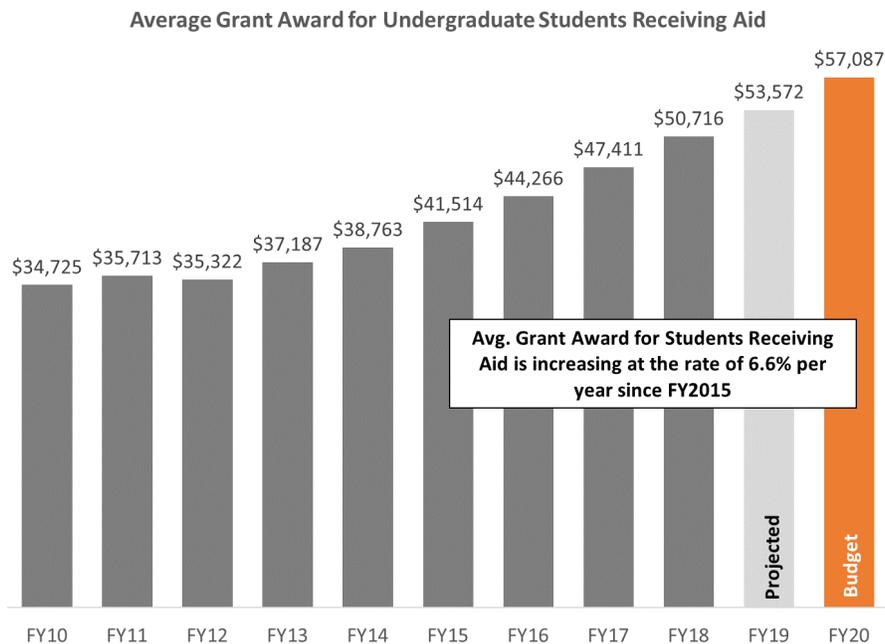
III. Recommendations

A. Undergraduate Financial Aid

Princeton’s financial aid program remains among the very best in the country in its calculation and coverage of need. Princeton maintains a “stay-even” approach to ensure that students’ financial aid packages keep up with rising costs. The Priorities Committee supports the proposal from the Committee on Undergraduate Admission and Financial Aid for a \$12.6 million (7.2 percent) increase in the undergraduate scholarship budget to \$187.4 million for next year.

As student fees increase, we adjust a student’s scholarship to cover the full amount of increase for beyond his or her family contribution. For example, the proposed 4.9 percent increase in student fees translates into an increase of \$3,210, or 6.0 percent, in the average scholarship award assuming all other factors constant. We are expecting a higher increase next year (7.2 percent) to reflect continuing

changes in the need profile of our students, both in terms of the number on aid and average parental contribution. The FY2020 aid projection assumes that the proportion of students receiving aid will increase slightly, from 61.3 to 61.8 percent, to 3,283 undergraduate students receiving aid. We expect that the incoming freshman class will have the highest need, with 63 percent on aid and an average scholarship of approximately \$56,900 among those receiving aid. Since FY2014, the average parental contribution and average family income among aided students have both declined, from \$15,500 to \$14,000 and from \$120,000 to \$110,000, respectively. Meanwhile, the number of students registering a zero-dollar parental contribution has doubled, from 400 to 800, during the same period.



Looking forward, 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. Currently, Princeton (like most universities) includes expectations for student earnings during both summer and term time in our calculation of aid packages. We increasingly waive or adjust these expectations because of outside scholarships, student involvement in academic-related work during the summer, and special packaging considerations for low-income students. Currently, only about half of students on aid have a summer earnings expectation as part of their family contribution. Increasingly, summers have emerged as an extension of the academic year for many students, with growing numbers of students pursuing service, internship, study abroad, research, and coursework opportunities. This change will not affect the FY2020 budget, as it is proposed to go into effect with the Class of 2024 (whose members will matriculate in Fall 2021). We project that, once phased in, the change will add approximately \$760,000 annually to the scholarship budget.

Restricted endowment and trust funds are projected to cover \$157.7 million, or 84 percent, of the FY2020 scholarship budget. General Funds will contribute \$17.8 million, or 10 percent of the total, shouldering a \$6.3 million increase from the current year. Outside scholarships, governmental grants, and other miscellaneous funds comprise the remainder.

B. Graduate Stipends

The Graduate School enrolled 2,912 degree-seeking students as of Fall 2018, of which 2,578 (89 percent) are PhD students. These figures represent an increase of 66 students, or 2.6 percent, compared to Fall 2017. Enrollment fluctuates on the margins, particularly in the natural sciences and engineering, as programs adjust to available levels of research funding to support students. All programs operate within approved enrollment envelopes.

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. Additionally, the University recently launched a \$2 million annual pool in the Graduate School to support selected students during the sixth-year of study. Many departments also contribute funds to support selected students beyond the fifth year. 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, while also keeping pace with cost of living increases. The Committee endorsed a recommendation from the Dean for increases of 3.1 percent for fellowships and research assistant stipends, and 2.7 percent for teaching assistant stipends effective for FY2020. The proposed rates are \$34,425 for a twelve-month fellowship, \$32,900 for a ten-month teaching assistantship, and \$29,900 for a ten-month research assistantship.

The Graduate School seeks to maintain the competitive position of its programs, in part, by offering graduate stipend levels at comparable rates to our peer institutions. The annual admission cycle provides real-time, direct market testing on our stipends given the concentration of universities against which we compete for most programs.

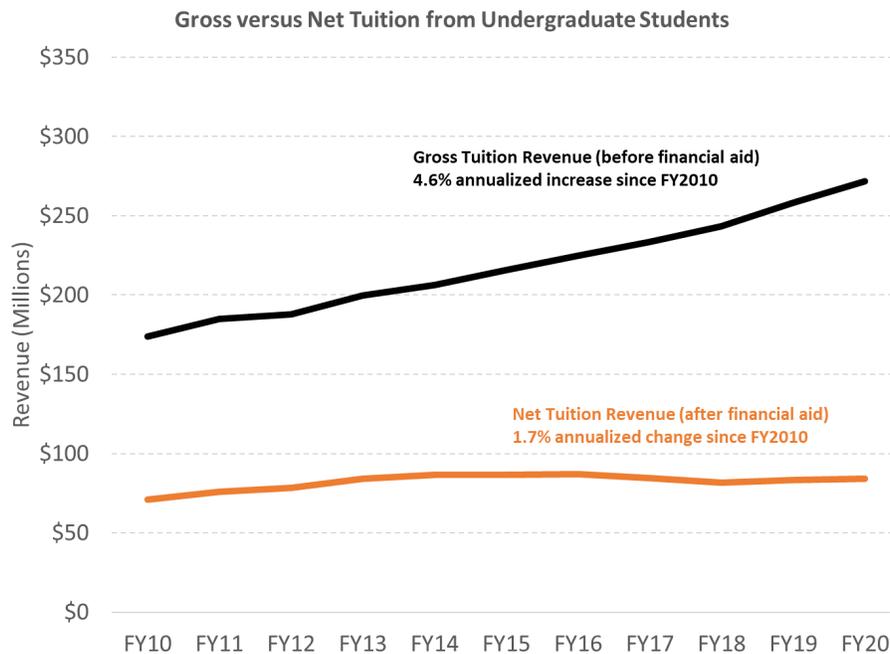
The budget for graduate support will total \$230 million for FY2020, consisting of tuition support, fellowships, and teaching and research stipends. Approximately 18 percent of this support comes from external sources, such as sponsored research. While stipends have been increasing by approximately 3.0 percent annually and tuition fellowships by 4.9 percent in recent years, we project the graduate support budget from all sources to increase by \$13 million (6.0 percent) for FY2020. The higher level of increase is driven by larger numbers of research assistant stipends, particularly among the growing numbers of doctoral students in Computer Science. Overall, the Graduate School projects growth of 52 doctoral students across all programs for FY2020.

C. Student Fee Package

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

Princeton continues its leadership on ensuring affordability and accessibility. The Board of Trustees has emphasized that this commitment is achieved through our financial aid program, not by having the lowest student fee package (“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 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. 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.

The Priorities Committee endorses a 2019-20 undergraduate student fee package of \$69,020 (an increase of \$3,210 from last year). The FY2020 student fee package recommendation consists of \$51,870 for tuition, an increase of \$2,420. Room charges will increase by \$570 to \$10,090 and board rates will increase \$220 to \$7,060.



Gross tuition revenue (the amount before factoring in financial aid) for undergraduates is projected to increase by 5.2 percent to \$272 million for FY2020, reflecting the 4.9 percent student fee package increase plus a small projected enrollment increase resulting from lower attrition. However, *net* tuition revenue will increase much more modestly given financial aid trends and commitments, at 1.1 percent, from \$83.4 million to \$84.3 million. This lower rate is consistent with patterns over the last decade or more. This pool of funds is critically important 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. Net tuition represents the equivalent of approximately \$1.6 billion in endowment.

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 Inflation Assumption (PIA) that was applied in FY2019. Projected endowment payout totals \$1.38 billion for FY2020, for an increase of \$53 million. External trust and faculty and staff loan interest income will contribute \$13 million to the reported investment income total. Together, endowment and investment income growth accounts for 70 percent of the total revenue increase projected in the University’s operating budget for FY2020.

The proposed 4.0 percent payout increase per endowment unit will maintain the projected spending rate within the policy band. The University will review the payout increase annually, but we expect to maintain this rate as our planning assumption for the next several years, following the substantial increases to payout levels in FY2017 and FY2018.

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 comparable 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 recommendation for an average increase of 3.0 percent in rental rates for faculty and staff rental and graduate housing portfolio.

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 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 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 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 target and equity across the University.

The Priorities Committee endorsed the vice president's recommendation for a slightly higher staff salary pool for FY2020 than in FY2019. 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 received 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 \$34.5 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.

SUMAR priority initiatives for FY2019 have included continued focus on (1) minimizing the annual rate of increase of Princeton's healthcare costs; (2) increasing the frequency with which University units' purchases and services are competitively bid, diverse supplier participation in bids, annual expenditures with diverse suppliers, and the number of certified diverse suppliers available in the supplier portfolio;

and (3) surfacing ideas for innovative and impactful initiatives that could lead to cost savings, administrative efficiencies, strengthened operations, or enhanced management practices.

Princeton has achieved an annualized 6.5 percent increase in healthcare costs from 2009 through 2017, below the national annual trend of 8 percent, without increasing the employee share of the University to employee cost-share ratio. Programs to minimize the rise in costs include the creation of a consumer-directed high-deductible plan (CDHP), opportunities for employees and their dependents to participate in health-condition management programs free of charge, and incentives for reduced-cost medical services without lowering standards of care (e.g., the use of in-network labs and mail-order long-term prescriptions).

Improved communication tools have been critical to reducing healthcare costs. For example, in an effort to achieve increased CDHP enrollment (from 4.4 percent in 2018) to help reduce costs to employees and the University, the University required faculty and staff to re-elect their medical benefits during the 2019 open enrollment period. If no election was made, the participant was defaulted to the CDHP. Materials, presentations, and an online decision support tool, "ALEX", were provided to help individuals select the most cost-effective insurance coverage for their specific needs. Alex was heavily utilized during open enrollment resulting in almost tripling CDHP enrollment to 12 percent.

The procurement department is making progress on increasing the frequency with which University units' purchases and services are competitively bid, diverse supplier participation in bids, annual expenditures with diverse suppliers, and the number of certified diverse suppliers available in the supplier portfolio. Procurement has created an improved dashboard that allows reporting on supplier diversity engagement levels across cabinet areas in order for departments to identify unit-specific opportunities for considering diverse suppliers. Dashboards highlight key metrics including: spend with diverse suppliers, suppliers for which there are established contracts in place and end dates for existing contracts. This information, along with unit-specific advising from Procurement office specialists, informs departments of how their procurement practices compare with the campus average or goals and provides unit-specific strategies ranging from issuing more RFPs to support competitive bidding processes to reducing instances of sole source justification. The University has increased expenditures with certified diverse suppliers from 1.8 percent in FY2017 to 4.1 percent for the first quarter of FY2019. In FY19, procurement will focus on continued external outreach through diverse supplier advocacy organizations, pursue greater partnership with peer institutions to identify potential diverse suppliers, and roll out the improved dashboard utility.

In January, the Office of the Executive Vice President (EVP) administrative planning group launched a process for harvesting and assessing ideas for innovative and impactful initiatives that may result in cost-savings, efficiencies, and strengthened operations or management practices. The process started with the EVP Senior Staff group (the EVP's direct reports and their respective direct reports, who collectively oversee the University's operations, which includes about 1,950 employees). Through a facilitated brainstorming process, the group identified more than 150 ideas ranging from strategies to improve performance management and methods to gain more productive work time to using enhanced technology to further streamline administrative tasks. Ideas that can be implemented appropriately by a single department will be directed to the unit's management. For those that require collaboration across multiple units or significant cultural or policy change, the EVP administrative planning group will assist with case development for SUMAR's support in implementation. Results of this process will be

reviewed next year to determine its efficacy, understand its challenges and identify opportunities for improvement.

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.

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 in the wake of a mid-fiscal year correction in December. 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 a careful allocation of resources, consideration of tradeoffs and priorities, targeted fundraising, and identification of new revenue.

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.

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

	FY18 Actual Final	FY19 Budget Current	FY20 Projected	(Projected – Current)		
				\$ Chg	% Chg	
Revenue						
1	Investment Income Operating Budget	1,143.4	1,281.3	1,335.9	54.7	4.3%
2	Tuition-Undergraduate	243.3	258.2	271.6	13.4	5.2%
3	<u>Tuition-Graduate</u>	<u>110.9</u>	<u>120.6</u>	<u>129.7</u>	<u>9.0</u>	<u>7.5%</u>
4	Total Tuition	354.2	378.9	401.2	22.4	5.9%
5	Other Student Fees	5.2	5.1	5.3	0.1	2.4%
6	Grants & Contract Revenue	356.0	354.0	358.6	4.6	1.3%
7	Gift Revenue	104.5	100.9	103.7	2.8	2.8%
8	Housing, Dining, Rental, & Event Income	102.3	105.2	110.1	4.9	4.7%
9	Other Income	93.2	91.8	92.0	0.1	0.2%
10	<u>Transfers (to)/from departmental balances</u>	<u>(80.0)</u>	<u>(61.5)</u>	<u>(72.9)</u>	<u>(11.4)</u>	<u>18.5%</u>
11	Total Revenue and Transfers	2,078.9	2,255.6	2,333.9	78.2	3.5%
<i>Footnote on Annual Giving</i>						
	<i>Annual Giving-Gifts</i>	59.1	56.5	58.1	1.6	2.9%
	<i>Annual Giving-Endowment Payout</i>	<u>7.0</u>	<u>7.4</u>	<u>7.7</u>	<u>0.3</u>	<u>4.1%</u>
	<i>Annual Giving Gifts and Endowment</i>	66.0	63.9	65.8	1.9	3.0%

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

	FY18	FY19		(Projected – Current)		
	Actual	Budget	FY20	\$ Chg	% Chg	
	Final	Current	Projected			
Expense and Allocations						
1	Academic Departments	826.1	867.2	891.9	24.8	2.9%
2	Princeton Plasma Physics Laboratory	116.1	109.0	109.0	(0.0)	0.0%
3	Financial Aid - Undergraduate	161.8	174.9	187.4	12.6	7.2%
4	Financial Aid - Central Graduate	21.3	21.8	22.8	0.9	4.2%
5	University Library	66.1	70.3	72.9	2.6	3.7%
6	Office of Information Technology	62.0	66.0	67.3	1.4	2.1%
7	University Art Museum	15.3	16.6	16.9	0.3	1.9%
8	Academic Admin. and Student Services	117.4	119.0	122.1	3.1	2.6%
9	Athletics	32.0	37.0	38.4	1.4	3.8%
10	General Administration & Univ. Expense	122.6	144.6	149.7	5.1	3.6%
11	Facilities Services	129.0	132.7	136.6	3.9	2.9%
12	University Services (Housing, Dining, Other)	64.2	65.1	66.3	1.3	1.9%
13	Pending Central Strategic Initiatives Allocations	112.8	187.3	197.6	10.3	5.5%
14	Capital Budget Allocation--Endowment	90.7	97.6	101.5	3.9	4.0%
15	<u>Capital Budget Allocation--Annual Programs</u>	<u>141.1</u>	<u>145.1</u>	<u>149.3</u>	<u>4.2</u>	<u>2.9%</u>
16	Total Expense and Allocations	2,078.5	2,254.1	2,329.9	75.7	3.4%
17	Surplus or (Deficit)	0.4	1.5	4.0	2.5	
18	Transfer (To Later)/ From Prior Periods	(0.4)	(1.5)	(4.0)	(2.5)	
<i>Footnote on Graduate Student Support by Category, all departments above</i>						
	<i>Assistants in Instruction</i>	<i>32.8</i>	<i>34.9</i>	<i>36.2</i>	<i>1.3</i>	<i>3.8%</i>
	<i>Assistants in Research</i>	<i>42.0</i>	<i>46.7</i>	<i>55.1</i>	<i>8.4</i>	<i>18.0%</i>
	<u><i>Graduate Fellowships</i></u>	<u><i>128.0</i></u>	<u><i>135.1</i></u>	<u><i>138.4</i></u>	<u><i>3.3</i></u>	<u><i>2.4%</i></u>
	<i>Total Graduate Student Support</i>	<i>202.8</i>	<i>216.7</i>	<i>229.7</i>	<i>13.0</i>	<i>6.0%</i>

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 percent increase in endowment payout per unit for FY2020 and the projected effect of typical levels of new gifts to endowment principal. Overall operating budget endowment payout is projected to increase \$53 million, to \$1.38 billion. No growth is projected for income streams that are not governed by the endowment spending rule.

2, 3 and 4 Tuition-Undergraduate and Graduate. Total tuition revenue is projected to grow by 5.9 percent, the combined result of a provisional 4.9 percent tuition rate increase and estimated changes in enrollment (13 more undergraduates on the assumption that attrition continues to decline; and 52 more PhD students as approved departmental cohorts fill up). Revenue is presented at gross, before deduction of tuition and other forms of undergraduate and graduate student aid (see expense row 3 and graduate student support footnote on page 2).

5 Other Student Fees. The growth in student fees reflects normal inflationary increases. The largest components are residential college and summer study abroad fees.

6 Grants & Contract Revenue. A 2 percent increase in the direct and indirect expenses of main campus sponsored research above the current-year estimate is projected. Expenditures at the Princeton Plasma Physics Laboratory are projected to remain unchanged, which dampens the overall growth rate. This line also includes government student aid revenue, such as Pell Grants.

7 Gift Revenue. This line includes unrestricted Annual Giving and expendable gifts for specific departmental programs, research, and other initiatives. Annual Giving gifts--almost 60 percent of the \$103.7 million total--are assumed to grow by 2.9 percent; while departmental and program gifts are estimated to grow at 2.0 percent.

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 4.7 percent overall growth stems largely from the provisional 6.0 percent undergraduate housing rate increase.

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 departmental balances. This line reports net income and transfers and balance increases that are not otherwise noted (i.e., endowment and Strategic Initiatives Pool). The largest categories are faculty research and other specially designated internal fund balances, as well as expendable gifts awaiting expenditures on specific programs and purposes. The line fluctuates from year to year due as

spending trails changes in commitments and receipts. The FY2020 projected increase arises largely from budget smoothing of a temporary employee benefits rate reduction.

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. The exception lines are student aid and non-personnel expense allocation, 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. No change.

3 Financial Aid - Undergraduate. The 7.2 percent increase reflects the recommended 4.9 percent increase in the fee package, as well as a projected 19-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 percent, the share of the total aid borne by these funds is expected to fall to 84 percent, from 87% this year. Approximately \$6.3 million of the \$12.6 million projected increase is expected to fall on the General Fund, increasing its relative share to 9 percent of the total. Government, gift, and outside aid funds support the other 7 percent of the \$187.4 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 percent increase. The \$13 million change reflects the recommended tuition and stipend rate increases, as well as an increase in the number of fellowships. Approximately 30 percent of the \$230 million total is charged to departmental restricted and designated funds, and outside awards.

5 University Library. Increase reflects normal inflationary adjustments (including a 5 percent 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.

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 Pending Central Strategic Initiatives Allocations. This line projects the annual addition to central Strategic Initiatives reserves, net of specific allocations already built in the operating and capital budgets. Strategic initiatives and projects under consideration, but not specifically earmarked, will further reduce this net when transferred.

14 and 15 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 \$251 million in FY2020. The “Endowment Allocation” component tracks the baseline growth in underlying endowment funds, generally 4% per year. The “Annual Programs” allocations generally grow by 3 percent per year, with exceptions for several non-inflating commitments. The increases are consistent with the current ten-year capital plan.