

President's Letter

The State of the University, February 2017

Christopher L. Eisgruber

Last year, the University's Board of Trustees issued a strategic framework that set forth a vision for Princeton's future. In the 12 months since we published that document, I have had numerous opportunities to discuss it with faculty, students, alumni, staff, and friends of the University. Multiple people have recommended that I provide the University community with an annual update that describes our progress and reflects on major issues confronting the University. I'm delighted to do so, and with this letter, I begin that practice.

Though my focus in this letter is on our University, I am conscious that we inhabit an anxious and troubled world. Longstanding international alliances are in jeopardy. America is divided; the country is experiencing social and political strain, if not tumult. "Fake news" has become a major concern, and some people assert that facts no longer matter or fear that we have entered a "post-truth" era.

I am often asked how Princeton should respond. The question of what the University, as an institution, should do is, of course, separate from the question of what individual members of our community should do. As individuals, we have an obligation to engage with our society and our world in a way consistent with our convictions. That obligation is especially urgent and pressing in times as troubled as these.

The University must likewise remain true to its mission and core values. In the words of the mission statement that the trustees adopted last year, Princeton seeks to advance "learning through scholarship, research, and teaching of unsurpassed quality, with an emphasis on undergraduate and doctoral education that is distinctive among the world's great universities, and with a pervasive commitment to serve the nation and the world."

The commitment to high quality teaching and research rests upon a conviction that facts and truth do matter to our lives and our societies. Universities have an obligation to get at the truth by assessing claims rigorously, debating ideas openly and courageously, and steering clear of the biases that flow from partisan agendas or ideological prejudices. In an age dominated by short-term perspectives, great universities, with their dedication to durable truths and impartial scholarship, make a contribution to the world that is more valuable than ever.

Rapidly increasing socioeconomic diversity

Princeton has a rare capacity to make distinctive contributions to the world, and the strategic framework identifies opportunities for the University to maximize the value that it delivers. We have made exceptional progress this year toward one of the goals identified in the framework, namely, increasing the socioeconomic diversity of the University's undergraduate student body. The framework affirms that "it is important for the University to identify and attract more qualified students from low-income families." Fulfilling that commitment is

essential if the University is to achieve its goal of seeking talent from all sectors of society. Only by calling upon all sources of talent can the University achieve the excellence necessary to “advance learning through scholarship, research, and teaching of unsurpassed quality.”

Our investment in socioeconomic diversity also helps to achieve the University’s mission in a second, more immediate way. Socioeconomic inequality is of urgent concern to the United States and the world. Rising inequality is generating political divisions and concern about the fairness of societal institutions. Princeton and other great universities have a special capacity, and with it a special responsibility, to increase social mobility.

In the United States, obtaining a four-year college degree has a dramatic impact upon whether students from lower income quintiles move into higher ones. And students from the lowest income quintiles have the highest chances of successfully completing their degrees, and thus the greatest opportunity for social mobility, if they attend a university like Princeton that provides strong financial aid, maintains high academic standards, and offers the personalized support needed to overcome barriers and disadvantages.

Since Princeton implemented its path-breaking improvements to financial aid more than 15 years ago, this University has been one of the most affordable places for a low-income student to get a college degree. Princeton provides scholarship aid in the form of grants, not loans, and it does not take home equity into account when calculating a family’s ability to pay for college. More than 60 percent of Princeton students are on financial aid, the average scholarship for a student on aid is roughly equal to the University’s tuition price, and students graduate with little or no debt.

For families earning up to \$65,000, the financial aid package covers 100 percent of the cost of tuition plus room and board. For families earning up to \$140,000, the aid package covers 100 percent of tuition. Eighty-four percent of *all* recent seniors graduated debt-free. For the remaining 16 percent, who elected to take out loans to cover the cost of summer trips, computers, or other expenses, the median debt at graduation was under \$6,000.

Yet, while Princeton has long been affordable to students from low socioeconomic backgrounds, it has until recently lagged in its efforts to attract such students. Though there is no perfect measure of socioeconomic diversity, social scientists, policy makers, and journalists often track progress by reference to the percentage of students eligible for the federal government’s Pell grants, which go to students from less well-off families in the United States. At Princeton, the Class of 2008 entered the University with only 7 percent Pell-eligible students. That number was, unfortunately, among the lowest for the selective private colleges and universities that form our peer group.

The intervening years have produced remarkable change. At the time of my installation in September 2013, the percentage of Pell-eligible students in the freshman class had risen to 14 percent. The numbers for 2014 and 2015 were 18 percent and 17 percent, respectively. The Class of 2020, which entered Princeton last September, is our most socioeconomically diverse ever with 21 percent Pell-eligible students. According to our internal metrics, which use a more nuanced and we think a more accurate definition of socioeconomic disadvantage, the entering

class consisted of nearly 25 percent students from low-income families. We estimate that there are now more than 1,000 undergraduate students from low-income backgrounds on Princeton's campus.

The rapid increase in socioeconomic diversity is arguably the fastest and most substantial change to Princeton's undergraduate demography since the University began admitting women in 1969. Unlike coeducation, the change is not immediately visible. Students from low-income families do not look different from other students; in that respect, they can be thought of as, in the nomenclature of the affinity group formed by the students themselves, a "hidden minority." But hidden or not, they are now a very substantial minority, and they are making their presence felt in very positive ways.

This change is the product of energetic efforts from many offices. The Office of Admission has enhanced its outreach to students from low-income backgrounds and expanded partnerships with national programs, such as Questbridge, that help to match students from low-income families with colleges where they can flourish. The office has also improved its ability to identify broader evidence of talent that indicates prospective students could thrive on our campus: our admission officers recognize, for example, that students from low-income backgrounds will not have access to many of the enrichment programs that benefit wealthier applicants, and they may demonstrate excellence in other ways, including by persisting successfully with academic work while also taking on jobs to help with family expenses.

We have also augmented on-campus programs that widen the pipeline of students coming from low-income backgrounds to college campuses. We are proud of the Princeton University Preparatory Program (PUPP), which enriches the schooling of promising high school students from across Mercer County and supports them throughout their college careers. PUPP graduates attend a wide variety of selective colleges and universities; some come to Princeton. We have expanded our partnership with the Leadership Enterprise for a Diverse America (LEDA), which now brings 100 rising high school seniors to the Princeton campus each summer. Nearly all LEDA alumni go on to attend selective colleges and universities, including every university in the Ivy League. Princeton typically enrolls more LEDA students than any other university. We also host the Princeton Summer Journalism Program, which encourages the collegiate aspirations of student journalists from low-income backgrounds. With all of these programs, Princeton adds to the socioeconomic diversity not only of the student body on its own campus but at selective colleges throughout the country.

More work will be required to sustain this change and ensure that this vibrant and important group of students flourishes at Princeton. We need to continue our efforts to identify and recruit outstanding students from disadvantaged backgrounds. We also need to recognize that, just as coeducation required Princeton to think afresh about how to accommodate a new group of students on its campus, so too will the changes now taking place.

This large "hidden minority" brings with it experiences, expectations, and needs that are different from those that characterized the majority of Princeton students in the past; its members are tremendously talented, but some arrive without the preparation that students from wealthier

environments may have received. They also may face different challenges and pressures, and have different goals, with regard to residential and social life.

Dean of the College Jill Dolan, Vice President for Campus Life W. Rochelle Calhoun, Vice Provost for Institutional Equity and Diversity Michele Minter, and their staffs are leading projects to ensure that we support students from low-income backgrounds appropriately. With leadership from Associate Dean of the College Khristina Gonzalez, we have expanded and revised the curriculum for the Freshman Scholars Institute (FSI), a program that provides an on-ramp to Princeton's intellectually vibrant culture for students with exceptional leadership and scholarly potential who come from less advantaged schools or communities.

Dean Gonzalez and her team have also launched the Scholars Institute Fellows Program (SIFP), which provides first-generation and low-income students with mentorship, academic enrichment, leadership opportunities, and scholarly community throughout their time at Princeton. These efforts are producing many visible successes: for example, the current student body president, three officers of the Class of 2017, and a recent Pyne Prize winner are all alumni of the Freshman Scholars Institute. We know, however, that we will need to continue to innovate as we learn more about the challenges, opportunities, and aspirations that define Princeton's changing student body.

Because a college education is so critical to addressing the challenges of inequality in America and the world today, Princeton aims not only to improve socioeconomic diversity on its own campus but also to provide national leadership on this issue. Earlier this year, I joined the steering committee of the American Talent Initiative, a consortium of universities that seeks to increase by 50,000 the number of socioeconomically disadvantaged students enrolled at the 270 American institutions with the highest graduation rates. I believe that programs such as PUPP, Princeton's partnership with LEDA, FSI, and SIFP can be models for action at other colleges and universities.

To play that leadership role, we must not only build on our current efforts but also communicate effectively about them. Journalistic reports and even scholarly articles about socioeconomic diversity often trade on persistent stereotypes and old data, ignoring the progress we have made over the last decade. Recent articles in the *New York Times* and the *Economist*, for example, have relied entirely on data from classes entering college in 2010 and earlier: in the 7 subsequent years, the number of socioeconomically disadvantaged students on Princeton's campus increased by more than 150 percent.

The *Times* coverage characterized families as "rich" if household income exceeded \$110,000 per year. I am confident that families with that income do not feel "rich," and our financial aid program quite rightly recognizes that students from families with household incomes up to and sometimes exceeding \$250,000 require at least some aid if they are to attend Princeton and to develop their talents fully and fulfill their dreams. That, too, is important to socioeconomic mobility in America. I look forward to telling Princeton's story in detail and hope that other members of our community will join me in doing so.

Priorities for Princeton's future

Princeton's commitment to socioeconomic diversity is one among several priorities highlighted by the University's strategic planning framework. The framework resulted from a planning exercise designed to sharpen the articulation of Princeton's mission and identify opportunities to advance that mission more effectively. The process encompassed reports from 16 campus task forces and committees composed of faculty members, and, in appropriate cases, students, staff members, and alumni. The reports were posted for public comment. The trustees invested two years in the planning process, including meetings with the chairs of most task forces.

With Provost David S. Lee, Dean of the Faculty Deborah Prentice, Executive Vice President Treby Williams, and Dean of the College Jill Dolan, I co-authored responses to the task force reports. These responses include specific decisions about which recommendations can be implemented immediately, which require fundraising or further work, and which must be deferred or rejected. The strategic framework, along with the task force reports and the responses to them, are available on our strategic planning website, <http://www.princeton.edu/strategicplan/>, along with this letter. Other updates will follow periodically.

The strategic planning exercise generated initiatives that will enhance the contributions that Princeton makes to society through teaching and research of unsurpassed quality. It identified priorities that are intended to enhance Princeton's impact in the world. The complete list of recommendations is lengthy, but much of it coheres around 10 large topics that I regard as the heart of the framework and that will define the major part of my agenda in the years ahead:

1. *Achieve unsurpassed quality in all fields.* Princeton is rare among institutions of higher education in that we have world-class quality across all four divisions of the University (the arts and humanities, the social sciences, the natural sciences, and engineering), and all of our departments reasonably aspire to be ranked with the world's best. One of the University's defining commitments is to strive for and sustain superb teaching and research in every field and program that it pursues.
2. *Emphasize service.* In light of its exceptional resources, Princeton has a responsibility to ensure that its students, faculty, and alumni think about how their research, education, and lives will benefit the nation, the world, and humanity. So conceived, service depends not on *what* professions our alumni pursue, but on *how* they pursue them. To reinforce its commitment to benefit society, the University is strengthening the ties between its academic program and its service initiatives.
3. *Expand the undergraduate student body.* Princeton's educational quality is rare; our financial resources per student are best-in-class; and we are turning down a higher percentage of qualified applicants than at any point in our history. The stratification of higher education has increased the demand for places on our campus. Our recent expansion of Princeton's undergraduate student body, approved in 2000 and completed in 2012, proved that we can grow enrollment while maintaining the distinctive character of a Princeton education. In light of our commitment to serve

the world through teaching of unsurpassed quality, I am very pleased that the trustees have agreed that we should do so again. We have begun active planning for expansion by another 125 students per class, and our campus planning project is working hard to identify potential locations for the additional residential college that will be required.

4. *Enhance socioeconomic diversity.* As indicated earlier, a Princeton education has a transformative impact on every student who receives it, but the effects are especially significant for students who come from disadvantaged backgrounds. Given Princeton's resources, the University takes seriously its responsibility to seek out qualified students from all socioeconomic backgrounds, and to ensure that they have the financial and other support required to thrive at Princeton.
5. *Attract and support talented people from all groups and backgrounds.* The University's commitments to excellence and to service depend on attracting people of extraordinary talent from a wide variety of races, religions, nationalities, socioeconomic backgrounds, and perspectives. They also require that the campus community be inclusive so that people from all backgrounds and viewpoints can thrive here as undergraduates, as graduate students, as postdoctoral scholars, on the University's staff, and as faculty members.
6. *Exercise visible leadership in the arts and the humanities.* As educational budgets contract worldwide, many institutions find themselves forced to emphasize vocational objectives at the expense of the arts and humanities. Princeton's students, faculty, and resources give it the opportunity and the responsibility not only to achieve the highest possible levels of quality in the arts and humanities, but also to do so in a way that reinforces their importance to the world.
7. *Provide outstanding research and teaching about the world's regions and cultures.* To address problems, leaders and citizens must not only be able to design effective policies or technological innovations, but also to contend with the wide range of institutions and cultures that determine how societies cope with challenges and change. In light of its resources and capacities, Princeton has a responsibility to produce research about the world's regions and cultures (including cultures within the United States) and to equip its graduates with the capacity to understand them.
8. *Undertake a bold interdisciplinary initiative centered on the environmental sciences.* Threats to the global environment are among the most urgent facing humanity. Princeton's Andlinger Center for Energy and the Environment addresses those challenges from an interdisciplinary perspective centered on engineering and technology; the University has a special opportunity to complement the Andlinger Center with an equally bold interdisciplinary initiative that builds on the strengths of the Princeton Environmental Institute and links together the natural sciences, the humanities, and public policy.

9. *Invest in engineering and information sciences.* Because technology is rapidly transforming the world that students will enter and the research problems our faculty and students can study, engineering schools and information science initiatives are essential to the future of great liberal arts universities. Princeton is fortunate to have outstanding scholars and students in these fields, and we have an opportunity to expand and enhance an engineering school that is capable of providing unique leadership through its deep connections to the natural sciences, its cohesive strengths in both theory and experimentation, and its powerful integration into the liberal arts ethos of this University.

10. *Improve Princeton's connections to the innovation ecosystem.* Technological change has increased the importance of the surrounding innovation ecosystem in achieving Princeton's teaching and research mission: our faculty increasingly find that connections to that ecosystem enhance their ability to produce interesting research about fundamental questions, and students and faculty alike seek connections to that ecosystem to leverage the impact of their learning. Princeton must develop its campus and its programs in ways that cultivate and expand both the surrounding ecosystem and our connections to it.

My colleagues and I in the administration are working actively to advance all of these objectives, and I look forward to updating you on our progress. We have already implemented several recommendations that emerged from the strategic planning process, including significant improvements to funding for graduate education. The importance of Princeton's graduate school was a recurring theme that appeared in several task force reports, and it connects to many of the topics listed above. Princeton's graduate school is smaller than those at peer institutions, but its quality is superb. Princeton's graduate alumni are leaders within the academy and beyond, and the University's graduate students are an indispensable part of both our research and our teaching enterprises. Multiple campus task forces identified two improvements to graduate student support as critical needs for the University: an expansion of sixth-year funding in the social sciences and the humanities, and an enhancement of funding in the natural sciences and engineering for research projects that involve graduate students.

After discussion with the trustees, the provost, the dean of the graduate school, and the dean for research responded to these needs by allocating more than 6 million dollars annually in central funds to alleviate pressures on sponsored research funding in the natural sciences and engineering, and to provide new support for sixth-year students in the humanities and social sciences who are making appropriate progress toward their degrees. This extraordinary action depended upon the spend rate increase described below, and it reflects the high importance that we attach to the quality of graduate education at Princeton.

Fundraising and the endowment

In November, we lost a great Princetonian and a great educator, William G. Bowen, the University's 17th president. Bill liked to coin or quote memorable sayings that captured wisdom about university administration. One such adage, which he credited to the late Princeton physicist and Nobel laureate Val Fitch, was, "excellence cannot be bought but it must be paid

for.” Bill meant that although money was by no means sufficient to create a great university, it was absolutely necessary.

Universities must be able to pay salaries sufficient to attract extraordinary faculty members. They must bear the costs of the high-quality laboratories and libraries needed for research and teaching, offer stipends that will attract and support the best graduate students, and grant financial aid to ensure that every qualified student can not only afford to attend but flourish on campus. First-rate teaching and research are superb investments that provide outstanding value to individuals and to society, but they are not cheap.

Because excellence must be paid for, Princeton has periodically conducted fundraising campaigns to support its teaching and research programs. We are now designing a campaign that will help us to achieve the goals identified through the strategic planning process. As we seek resources to enhance an already blessed institution, the burden of proof will be on us to explain not only our priorities and our aspirations, but also the economic model that supports Princeton’s quest for excellence. The value of Princeton’s endowment exceeds 20 billion dollars. Why, people want to know, does a university with an endowment so large need to raise more funds?

The answer to that question is straightforward: our endowment is nearly fully deployed in support of existing programs, so that new initiatives require new fundraising. More specifically, we count on the endowment to provide half of the revenue for the University’s annual operating budget. In very rough numbers, the University’s operating budget is nearly \$2 billion per year, and endowment payout provides almost \$1 billion of the needed revenue. This heavy reliance on endowment revenue is a big change from the financial model that existed in the 1980s, when tuition income was the University’s biggest revenue stream.

The size and strength of Princeton’s endowment today owes much to the generosity of the University’s alumni and friends, to the skillful stewardship of PRINCO (the Princeton University Investment Company), and to the fiscal discipline of the University’s administration and trustees. The resulting endowment-centered financial model permits us to offer financial aid packages that meet the full need of every student and guarantee at least 5 years of support to doctoral students. But the endowment-centered model also means that absent gains from investment and new gifts, Princeton would exhaust its \$20 billion endowment in 20 years.

People sometimes think of an endowment as a savings account that the University can tap to support new ventures. That is wrong: the endowment is more like a retirement annuity that provides essential support each year, except that it must support the University’s expenses not merely for a limited end-of-life period, but in perpetuity. The endowment must therefore grow fast enough to replace payout and keep pace with rising costs. If, for example, the University spends 5 percent of its endowment each year and anticipates 3 percent annual inflation, investment returns and new gifts must add 8 percent per year or the endowment’s value will decline with time. In some years, of course, the endowment will grow by more than 8 percent, but in other years it will grow less or decline. Even in lean years, the University must transfer money from the endowment to cover roughly half of its expenditures.

During the strategic planning process, the Board of Trustees carefully examined the University policies governing its endowment. The trustees studied investment analyses prepared by PRINCO, reviewed the endowment's history over the last several decades, and considered the relationship between the University's three forms of capital: its endowment and other financial capital, its campus or physical capital, and, most importantly of all, its human capital.

The trustees decided that Princeton could prudently increase its rate of spending from the endowment to pursue its strategic objectives. The increase allowed the University to improve its support for graduate students, as described earlier. Going forward it will enable the University to make critical improvements and to leverage gifts that donors make on behalf of University priorities. As has been the case throughout our history, achieving our priorities will continue to depend on the generosity of our donors and on our ability to make the case for Princeton's future.

I relish the opportunity to make that case, and to work together with Princeton's extraordinary students, faculty, staff, alumni, and friends to carry forward the mission of this University. At a time when the world too often focuses on short-term interests and when public discourse has become disturbingly coarse and shallow, Princeton University's commitments to teaching and research of unsurpassed quality, and to the service of the nation and humanity, are more valuable than ever. By making bold bets on the talent of our students and faculty, and by pursuing profound questions of durable importance, we at Princeton can make indispensable contributions to solving the problems that trouble societies today, deepening our cultural resources, and improving the world of tomorrow.