

THE INSTITUTE FOR ADVANCED STUDY

M I N U T E S

Meeting of the Budget Committee

March 11, 1986

New York, New York

Present: Messrs. Hansmann, Woolf. Also Mr. Rowe and Mesdames Labalme and Manning.

Absent: Messrs. Byrom, Dilworth, Taplin and Wolfensohn.

Minutes: Mr. Hansmann agreed to serve as Chairman in Mr. Taplin's absence. The meeting was opened at 12:45 p.m. The minutes of the meeting of October 25, 1985, were approved as circulated.

Financial report: Mr. Rowe reported that the endowment was now at \$157.5 million. This represented an increase of \$20.5 million since July 1, 1985.

Government contracts were expected to shrink by about 5%. The Department of Energy has requested that the Institute underspend its contracts by 4.5 % which means about \$100,000 less.

The draw on the endowment was 7.1% for Fiscal Year 1985. Mr. Rowe projected the following draw for the next few years:

1986:	7.1%
1987:	7.5%
1988:	7.6%

These projections were based on the assumption of a 6% increase in the market value of the endowment.

In comparing our draw with that of other institutions, Mr. Rowe had found that while Yale, Rockefeller, and Princeton Universities all use different methods to arrive at a draw that will keep endowment in equilibrium over the long term, all of these institutions consider that to draw more than 6% is to operate in a liquidation mode.

Mr. Rowe recommends that the Institute set itself the goal of reducing its draw by .1% each fiscal year, until the draw is at a 6% annual rate.

In the general discussion which followed, it was agreed that this was a worthwhile goal, although it should not so hamper the Institute in its purposes and practices as to compromise its excellence.

Budgetary process: Upon Dr. Woolf's recommendation, discussion of the budgetary process was delayed until the meeting in April.

Budget for FY87: The tentative budget for Fiscal Year 1987 was presented. Among the items discussed was the use of professorial salaries in the School of Historical Studies and Natural Sciences to support visiting members and, in the case of Natural Sciences, long-term members; the projected increase in staff salaries, averaging 6%, which would not be across the board but selectively applied; an increase of 13.7% in computing (as compared to the 100% increase for Fiscal Year 1986); real estate taxes and the current effort to remove Institute housing from the tax rolls; insurance costs (for which Mr. Rowe agreed to provide a breakdown at the next meeting); depreciation; and the expected drop in gifts, grants and contracts.

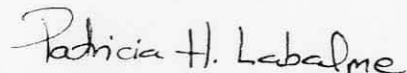
Faculty salaries had been proposed to rise to \$100,000 beginning January 1, 1987, which would mean, for FY87, an average salary cost of \$92,000.

A comparison of the budgets and projected budgets for FY85, FY86, FY87 and FY88 was examined.

Faculty Housing: Mr. Hansmann recommended that the administration prepare a memorandum describing the problem of Faculty housing in relation to the price increases in the area, current and possible fringe benefits, and the various options which might be considered in addressing this problem.

Adjournment: There being no further business, the meeting was adjourned at 1:50 p.m.

Respectfully submitted,



Patricia H. Labalme
Secretary to the Corporation