



July 31, 2020

COUNCIL OF DEANS

RE: Changes to Implementation of Academic Finance Reform

Dear Colleagues,

COVID-19 is having a profound effect on every aspect of the Berkeley campus, including our financial sustainability. As we have shared with you in recent weeks, increased costs and lost revenue due to the virus are requiring deep reductions to our budgets, the duration of which is uncertain at this point.

In July 2021, the campus was to have begun a five-year phased implementation of Academic Finance Reform, which would have resulted in significant shifts in campus funding across the colleges and schools. Given the likelihood of deep cuts in state funding, among other sources of funds, the need for a more equitable and transparent method of allocating scarce resources — as envisioned by Academic Finance Reform — is more important than ever. At the same time, I also recognize that Academic Finance Reform, which would be, for some units, a challenge to manage in the best of times, is perhaps beyond what any unit could handle in light of the inevitable cuts due to the financial consequences of COVID-19. Therefore, recognizing the challenges posed by COVID-19, we will take a different approach to implementing Academic Finance Reform.

The original plan for implementing Academic Finance Reform was to phase it in over five years until the methodology was fully in place by FY 2026. Instead, recognizing that COVID-19 means deep cuts for every decanal unit, we will wait to implement Academic Finance Reform until central resources have recovered (e.g., state support increases; tuition increases are approved; central reserves are replenished). Moreover, it will only be these new resources that will be distributed in accordance with the Academic Finance Reform methodology. In other words, it is units' shares of the growth in the Allocable Pool that will be determined by the Academic Finance Reform methodology. It is important to note, however, that we cannot expand the Allocable Pool until we have met our obligation to pay faculty salaries and benefits; this was true under the original plan for Academic Finance Reform, as well. It is also important to note that recent experience shows us that the allocable pool can shrink as well as grow in response to unexpected circumstances.

Anticipating the changes due to Academic Finance Reform, several schools, divisions, and colleges have already begun in-depth planning efforts to explore ways in which they can expand programs, operate more efficiently, and generate alternate sources of revenue. Indeed, these activities are arguably even more valuable in the face of reductions in state and other funding; I therefore strongly encourage their continuation. While our financial

circumstances will eventually improve, recovery will likely be slow, and slower still for divisions that are not able to adjust to a model that favors larger scale engagement with students. I also believe that the long-term trend of reduced state support and limited tuition growth will continue, meaning that all colleges and schools must develop other revenue streams to ensure future excellence.

Since announcing this change in direction for Academic Finance Reform, I have begun to receive questions about how specifically the new approach will be implemented. The details will be forthcoming in the months ahead and will be determined in consultation with you and other campus leadership. Right now, however, our focus must remain on addressing the challenges posed by COVID-19.

To conclude, I would like to thank each of you for the hard work, patience, and resilience you have shown in managing this crisis. COVID-19 has tested us in unprecedented ways, and I greatly value your partnership in preserving Berkeley's excellence. If you have any questions, please direct them to EVCP@berkeley.edu.

Best regards,

A handwritten signature in black ink, appearing to read 'A. Paul Alivisatos', with a stylized flourish at the end.

A. Paul Alivisatos
Executive Vice Chancellor and Provost

cc: Chancellor's Cabinet
Divisional Council, Berkeley Division of the Academic Senate
Committee on Academic Planning & Resource Allocation, Berkeley Division of the Academic Senate
Chief Administrative Officers
Divisional Finance Leaders