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Re: Assessing the fixed/overhead costs of an academic department

Dear Colleagues,

I wish, first, to thank you for your careful work on indirect cost recovery (ICR). I look forward to reading your report and learning more about your conclusions and recommendations.

As a next area for the Analytical Team to explore, I would like you to help us better understand the fixed or overhead costs associated with an academic department. At a high level, these are the *incremental* costs that are generated simply by creating a new department (even if its faculty and students were to be drawn from faculty and students already on the campus; *i.e.*, a new department that does not add to the total number of faculty or students on campus). Alternatively, these are the costs that might be saved if an existing department were merged into another department or otherwise disestablished. (I note, lest that last bit create panic, there are no plans at this time to merge departments or otherwise disestablish any departments.)

Although it is up to you to determine what are the drivers of these fixed/overhead costs, I strongly suggest that you give thought to the following:

1. Every department has a chair. What are the costs of a chair? These include:
  - a. Pay for being chair (stipend, summer ninths, additional research funding, possibly other). It would be helpful to know what the variation in pay for being chair and its components is across the campus. What is the variation across decanal units? Does the pay or its components vary in any systematic way with the size of the department or other factors?
  - b. Course relief for being the chair. What kind of course relief is granted? What might its financial cost be in terms of replacement teaching (*e.g.*, hiring a Unit 18 lecturer)? As with (a), knowing more about variation across decanal units and possible determinants of course relief (*e.g.*, departmental size) would be useful.

- c. Staff support for the chair. What does this look like across the campus? What appear to be the determinants of it?
2. Many departments have faculty roles in addition to chair (*e.g.*, head graduate advisor, vice chairs, etc.). What are the costs associated with those positions? As with #1, some of those costs may be directly monetary (*e.g.*, stipends, summer salary, etc.) or in-kind (*e.g.*, teaching relief). As with #1, it would be helpful to know how these costs vary across decanal units and the factors that determine or affect them (*e.g.*, departmental size).
3. What additional staffing might be required if a new department is established? For example, if a 40-faculty department with six staff split into two 20-faculty departments, would each “child” department have three staff or would each require more than three? Even when there is administrative clustering, as is true of some departments within the Division of Arts & Humanities, how would the cluster grow in terms of staffing if the departments within it expand?
4. What, if any, would be the incremental costs at the decanal level if a department were added to the decanal unit? That is, how might dean’s office costs increase?
5. What are the one-time costs with establishing a department, such as creating web pages, printing new stationery, new signage, etc.?
6. What other administrative costs would arise if a new department were established? These could include the costs of updating campus websites, reprogramming accounting systems, etc. What would be one-time costs versus ongoing (annual) costs? Presumably some of those one-time costs would also be incurred if a department were disestablished (so, in this instance, disestablishment might add rather than save costs); what might those costs be?
7. Departments must undergo academic program reviews (APRs) once every ten years. What is the cost of such a review? Are there other reviews, assessments, or appraisals, the cost of which should be considered?
8. Does the creation of a department entail additional space demands? If so, what do they tend to be?

In the course of your study, I expect you will uncover considerable variation in departmental costs due to differences in course relief, stipends, staffing levels, etc. It would be helpful to have a sense of just what these variations look like, especially as regards staffing levels. To the extent that these variations seemed explained by factors such as department size (possibly measured according to different metrics: number of faculty, number of majors, etc.), discipline (one, *e.g.*, could imagine that certain STEM departments require staffing to oversee labs), or other systematic factors, it would be good to have that documented.

While I leave how you wish to report your findings largely to you, it would be very helpful to have access to the raw data for future analyses that my office or others might wish to conduct. So, for example, one could imagine one or more spreadsheets reporting data by departments.

Given the breadth of expertise you collectively bring to this assignment, I’m confident that you know how to assemble the necessary data or with whom to speak to obtain information. That said, I would observe that the Academic Personnel Office (APO) tracks stipends and some similar expenditures, so APO might be a good source of information. You might benefit from looking at some recently established departments, which include the Department of Bioengineering, the Department of Film & Media Studies, and the currently proposed Department of Neuroscience.

At some point, some outreach to relevant stakeholders, such as the Council of Deans or the Senate's Committee on Academic Planning and Resource Allocation (CAPRA), might make sense, both to apprise them of this activity and to solicit any guidance that they may be able to provide. Andrea Lambert-Tan can assist with a meeting with the Council of Deans, as well as with outreach to CAPRA.

I ask that you provide progress updates to the FSI Core Team and Advisory Group throughout the process and, based on their feedback and guidance, **submit a final report by Friday, November 10, 2023**. Throughout this time period, Chris Stanich, Associate Vice Chancellor for Financial Planning and Analysis, will serve as liaison between the Analytical Team and the FSI Core Team and Advisory Group should questions arise and guidance be needed.

I look forward to joining you all at the Analytical Team meeting on September 7 to discuss the scope of this assignment and clarify expectations around it. I thank you again for your service and dedication to our University.

Regards,



Benjamin E. Hermalin  
Executive Vice Chancellor & Provost  
Schneider Distinguished Professor of Finance and Distinguished Professor of Economics

cc: FSI Advisory Group  
FSI Project Team