



December 8, 2023

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Michael C. Lu, Dean, School of Public Health
Amy Robinson, Assistant Executive Dean, College of Letters & Science
Chris Stanich, Associate Vice Chancellor of Financial Planning and Analysis

Re: Task force to advise on stipends and other compensation for department chairs and other academic unit leaders

Dear Colleagues,

I write seeking your service on a task force to advise the administration on revising our practices and policies as they pertain to the compensation of faculty who serve as department chairs and in similar roles (e.g., division heads within departments, vice chairs, etc.). I am asking that Vice Provost Plaut chair this task force and that her office provide the necessary staffing for it.

As you are likely aware, the campus has not systematically revised its practices and policies in this area in some time. (Attached, please find some of the existing guidelines.) In the absence of a systematic revision, some decanal units have negotiated changes with the campus, which has led to a hodge-podge of practices and policies. Spurred by a recent request from the College of Letters & Science to increase chair stipends in that college by approximately 35% and to have the campus cover the associated composite benefit rate (CBR) assessment on those stipends, it seems worth the campus considering the issue in a systematic manner to ensure fairness and equity.

Another motivator for reviewing practices and policies are two significant changes of relevance: first, stipends are now assessed CBR, the relevant rate currently being 34.4%, a rate that is expected to increase due to escalating health and retirement costs. Second, [a new policy](#), effective July 1, 2023, provides a permanent increase in the salary of department chairs as a reward for their service: \$1000 per each year of meritorious service up to a maximum of \$5000 for that service. As an example of the consequence of this new policy on compensation, an individual who serves as chair for three years, then works for an additional 15, would enjoy a lifetime increase to salary of \$45,000 (plus effect on retirement pay—in that regard, it is also worth remembering that stipends also count toward determining retirement pay).

At this time, there would appear to be four principal ways in which department chairs are compensated:

- Stipend
- Course relief
- Summer salary
- Permanent salary increase per the new policy.

The first three of these also apply to other departmental leaders, such as division heads. I ask the task force to consider appropriate policy for the setting and governance of each of the first three. It may, if it wishes, opine on possible changes to the new policy (the fourth bullet). If there are other means of compensation not listed that you believe important, you can make recommendations about them as well.

I also ask that you make recommendations regarding associate deans. While the roles of associate deans vary widely across the campus, and are not always analogous to the roles of department chairs and division heads, it seems appropriate to assess compensation practices for this group as part of this process.

Historically, the stipend, which is sometimes divided among a department's leadership, was determined as a function of the departmental budget. To the extent that the size of a department's budget is a good indicator of the complexity of the chair's (leadership's) responsibilities, such a functional relationship would seem reasonable. On the other hand, to the extent that the departmental budget includes faculty salaries, certain inequities might arise: is running a 40-member Economics department more difficult than running a 40-member English department? On the other other hand, to be an adequate incentive to serve, a stipend might need to be a significant fraction of a faculty member's professorial salary or possibly reflect forgone outside opportunities (e.g., consulting, entrepreneurial, etc.), for which departmental salaries may be a reasonable proxy. Managing more staff, which correlates to a larger budget, is presumably more demanding than managing fewer; the flip side, however, being that having more staff may reduce the work for which a chair is responsible. The complexity of a department's curriculum conceivably correlates positively with its budget, which could be another argument for a functional relationship between departmental budget and stipend. As this paragraph suggests, while arguments may exist for the historical practice of tying stipend to departmental budget, that practice warrants careful consideration to ensure that we have policies and practices consistent with the campus's norms of equity and fairness.¹

I ask that the task force provide as accurate as possible cost estimates for any proposals it develops. Those estimates should, *inter alia*, include estimates for the cost of the course relief granted.

To avoid having to revisit this issue in the near term, it would be helpful if whatever policy is developed is dynamic; that is, I ask that it be designed to adjust appropriately with changes in circumstances (e.g., inflation, unit size, etc.).

A critical issue is who will pay for the compensation of department chairs and related departmental leaders. While the task force is free to make whatever proposal it wishes for dividing these costs between the decanal units and the center, please be mindful of two important factors. First, as you know, the center's budget (the central ledger) is under significant pressure and, hence, any increase in funding sought from the center will invariably mean reduced spending in other areas, including those in the "academic sphere." Second, as we move

¹ Should the task force recommend that we continue to tie stipends to budget, I would kindly ask that it not propose a function with discontinuities. The current system, which is based on budget "buckets," results in discrete jumps at the borders of the buckets. As a rule, discrete jumps in compensation plans can create undesired incentives, so it is better *ceteris paribus* that compensation be a continuous function of the underlying metrics.

forward with the Financial Sustainability Initiative (FSI), an increasingly greater share of expenses of this nature will become the responsibility of the deans (although, there will be an initial subvention of increased funding to the decanal units to make it possible for them to take on more financial responsibilities). In other words, under the FSI, it is quite possible that, in the long term, it will be the deans who will find themselves having to balance funding departmental leadership against other competing needs. Such a devolution of responsibility may argue for a policy in this domain that affords deans greater discretion than is currently the case; of course, any such discretion would need to be weighed against issues of cross-campus equity.

Ideally, the campus would like to have this matter resolved in time for the 2024–25 academic year, hence by July 1, 2024. With that timing in mind, might I ask that the task force provide its recommendations no later than March 4, 2024?

I thank you in advance for your service. Please confirm your commitment to serve on this committee by Wednesday, December 13 to evcp@berkeley.edu and vpf@berkeley.edu.

If you have any questions about the scope of work or other matters, please do not hesitate to contact me.

Regards,



Benjamin E. Hermalin
Executive Vice Chancellor and Provost

Attachments: Relevant documents outlining the current policy and history of it.

cc: Daniel M. Feitelberg, interim Vice Chancellor of Finance
Andrea Lambert-Tan, Assistant Executive Vice Chancellor and Chief of Staff
Council of Deans
Dana Jantz, Chief of Staff, Vice Provost for the Faculty
Elisabeth Remick, Faculty Budget Analyst

**Berkeley Campus Stipends for Department Chairs
New Campus Program
Effective July 1, 1999**

New Campus Program

This new campus stipend program, developed jointly by the College of L&S and the Campus Budget Office, reflects an enhancement to the campus's current department chair stipend program and represents a base program that may be augmented with school or college resources. Under the new program, stipend amounts are tied to departmental workload as measured by aggregate budgets. The budget quartiles, used in the 1985 schedule are expanded to six budget levels to reflect more appropriately current departmental budgets and workloads. The first three stipend levels are based on the 1985 schedule, but are increased 60% for cumulative inflation. Each subsequent stipend level increases by \$1,500.

1985 Schedule		New Program	
<u>Adj Budget</u>	<u>Stipend</u>	<u>Agg Budget</u>	<u>Stipend</u>
< \$200k	\$3,240	--	--
Min \$200k	\$4,200	< \$1 m	\$ 6,800
Min \$1 m	\$5,460	Min \$1 m	\$ 8,800
Min \$2 m	\$6,720	Min \$2 m	\$10,800
--	--	Min \$4 m	\$12,300
--	--	Min \$6 m	\$13,800
-	--	Min \$8 m	\$15,300

No department will receive more than one stipend under the new program. A single stipend, based on the department's aggregate budget, will therefore replace the multiple stipends currently permanently budgeted to MCB, Chemistry, Civil and Environmental Engineering, EECS, Mechanical Engineering, Architecture, and ESPM.

Underlying Rationale

To determine the budget scale that most appropriately reflects differences in workload, departmental data on permanently budgeted faculty are acknowledged as the most significant single element in the work of the departmental chair. These data show clear demarcations at the minimum \$1m, \$2m, \$4m, \$6m, and \$8m budget levels, so the new program advances stipend amounts at these points. This solution has the added benefit of introducing a new level at the low end of the scale: a review of departmental budgets showed that 40 out of 59 departments (68%) have aggregate budgets of less than \$3 million.

<u>Agg Budget</u>	<u>No. Depts.</u>	<u>Avg No. Faculty</u>	<u>Range</u>
< \$1m	12	5	0-10
Min \$1m	18	11	9-14
Min \$2m	10	17	16-25
Min \$3m	2	21	21
Min \$4m	3	39	35-44
Min \$5m	7	40	36-60
Min \$6m	1	55	55
Min \$7m	1	52	52
Min \$8m	1	69	69
Min \$9m	4	--	48-74

Because an adjusted departmental budget of less than \$1m under the old 1985 schedule yielded a stipend of \$4,200, it also seemed reasonable to set the stipend for an aggregate budget of less than \$1m under the new program at \$6,800, a 60% increase over the old stipend. A 60% inflation adjustment was also made to the remaining \$1m and \$2m stipend levels of the 1985 schedule, yielding stipend intervals of \$2,000. All subsequent stipends advance in \$1,500 intervals.

Projected Cost

The initial total cost of the new program is \$582,400, or \$213,345 more than the current program, now budgeted at \$369,055. The following table shows the stipend amount for each department under the new program.

Future Adjustments

The campus will review and adjust stipend levels when new chair appointments are made. Because stipend amounts under the new program are tied to departmental workload as measured by aggregate budgets, adjustments will be made on the basis of departmental budgets.

CHAIR COMPENSATION POLICY
College of Letters and Science

Stipend levels

- Stipend amounts are determined by an aggregate budget level of the department, calculated as the sum of the permanent budget, a portion of the temporary academic salary budget, and 20% of the department's research expenditures.¹ This aggregate figure, which is determined by the Chancellor's budget office using central campus data, has been found to be most reflective of the workload of the department chair, as it includes consideration of permanent and temporary faculty, student majors and enrollments, staff, and research administration. The departmental budget is reviewed and the departmental stipend set at the beginning of the term of each chair.
- Stipend amounts are a combination of a campus stipend provided by the Chancellor's Office and a supplement funded by the Dean. The total stipend is considered a *departmental* stipend, rather than a stipend belonging to a single individual, *i.e.*, it includes any compensation paid to vice chairs, summer chairs, etc.

CHAIR COMPENSATION TABLE	
Departmental Administrative Stipend	
Aggregate Budget	Total Stipend*
\$1,000,000	\$11,800
\$1,000,000	\$18,800
\$2,000,000	\$25,800
\$4,000,000	\$30,300
\$6,000,000	\$33,800
\$8,000,000	\$37,300

*An individual chair may not serve more than 11 of 12 months; the maximum stipend for a single individual is \$30,000.

Payment of stipends

- Stipends will be paid in monthly installments to the individual serving as chair during that month.
- To acknowledge the differential workload, stipends paid during three summer months are 1/3 the value of those paid during the academic year. Therefore each of the nine academic months will be worth 10% of the departmental stipend total and each summer month will be worth 3.33%. If you wish to allocate more of the total to the summer months, you may do so after consulting us, however, this must be done at the beginning of the academic year and the arrangement will become the department standard.

Distribution by Month of Total Stipend		
Total Annual Stipend	Academic Month Stipend	Summer Month Stipend*
\$11,800	\$1,180.00	\$393.33
\$18,800	\$1,880.00	\$626.67
\$25,800	\$2,580.00	\$860.00
\$30,300	\$3,030.00	\$1,010.00
\$33,800	\$3,380.00	\$1,126.67
\$37,300	\$3,730.00	\$1,243.33

* A month of summer service is counted as 1/3 an academic month's service; minimum amount allowed for summer stipend

- Because compensation is paid in stipends, rather than summer ninths, the academic year portion is included in the Highest Average Plan Compensation (HAPC) calculations for retirement purposes. The summer portion is not included.

¹ The portion of the TAS budget excludes the return of faculty salary savings to the department, as faculty salaries are a part of the department's Adjusted Budget.

Limits on total compensation

- A single individual may be paid for only 11 months of chair service. One month (usually, but not necessarily, a summer month) must be paid to another faculty member as acting chair for service during the 12th month.
- No single individual can receive more than \$30,000 in a chair stipend. When the size of the department's budget warrants a higher stipend, the remainder may be paid to another faculty member for services to the department (*e.g.*, as a summer chair or as a vice chair), or may be deposited in a department account as a discretionary fund (*see below*).
- Although the payment of chair compensation as a monthly stipend theoretically opens the summer for three months of extramural grant payments, no single individual can receive in total compensation from or through the University more than his or her professorial salary plus 3/9ths. It is the department's responsibility to ensure that this limit is not exceeded. This is a policy set by the Executive Vice Chancellor and Provost, and failure to comply will require reimbursement of compensation in excess of the limit.
- If the chair chooses to relinquish all or part of the chair stipend in order to receive compensation for research, the unused stipend may be deposited in the department as a discretionary fund (*see below*).
- A chair cannot receive a stipend during a month in which he or she receives 100% research compensation.

Transferring stipend funding to a discretionary fund

- Either voluntarily or because one of the total compensation limits above has been reached, a chair may choose to have stipend funding transferred to a fund in the department. As with all University funding, it is subject to campus policies and procedures governing expenditures, but otherwise (with the exception of augmenting the chair's salary), the funding may be used at the discretion of the chair, either for the benefit of the department or for his or her research. Unused balances may be carried forward at fiscal year end.

Sample departmental stipend distributions

Example 1: A chair has a salary of \$90,000 in a department with an aggregate budget of \$4.25M. The Departmental stipend is \$30,300. (*In addition to the base salary, the chair can receive a maximum of 3/9ths, or \$30,000 in compensation.*)

Month	Name	Chair or Acting Chair	Summer Chair	Discretionary Fund	TOTAL
July	A. Fernandez	\$1,010			\$1,010
August	M. Star		\$1,010		\$1,010
September – May	A. Fernandez (9 months @ \$3,030)	\$27,270			\$27,270
June	A. Fernandez	\$1,010			\$1,010
TOTAL		\$29,290	\$1,010	-0-	\$30,300

Example 2: The same chair chooses to take one summer month on an extramural grant and route the stipend to a discretionary fund.

Month	Name	Chair or Acting Chair	Summer Chair	Discretionary Fund	TOTAL
July	A. Fernandez			\$1,010	\$1,010
August	M. Star		\$1,010		\$1,010
September – May	A. Fernandez (9 months @ \$3,030)	\$27,270			\$27,270
June	A. Fernandez	\$1,010			\$1,010
TOTAL		\$28,280	\$1,010	\$1,010	\$30,300