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University of California  
Berkeley, California

University of California Office of the President Oral History Series

V. Wayne Kennedy

UNIVERSITY OF CALIFORNIA SENIOR VICE PRESIDENT  
FOR BUSINESS AND FINANCE, 1993-2000  
UC SAN DIEGO VICE CHANCELLOR, ADMINISTRATION, 1985-1993

An Interview Conducted by  
Ann Lage  
in 2003 and 2004

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V. Wayne Kennedy, 1995  
photo courtesy of V. Wayne Kennedy



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July 2007

UNIVERSITY OF CALIFORNIA OFFICE OF THE PRESIDENT ORAL HISTORIES

William B. Baker, *The University of California's Budget Process and University Relations, 1959-1997*. 2003, 194 pp.

James V. Corley, *Serving the University in Sacramento*. 1969, 143 pp.

David Pierpont Gardner, *A Life in Higher Education: Fifteenth President of the University of California, 1983-1992*. 1997, 810 pp.

Cornelius Hopper, UC vice president for health affairs, in progress.

Claude B. Hutchison, *The College of Agriculture, University of California, 1922-1952*. 1962, 524 pp.

James B. Kendrick, Jr., *From Plant Pathologist to Vice President for Agricultural and Natural Resources, University of California, 1947-1986*. 1989, 392 pp.

V. Wayne Kennedy, *University of California Senior Vice President for Business and Finance, 1993-2000; UC San Diego Vice Chancellor, Administration, 1985-1993*. 2007, 392 pp.

Ralph P. Merritt, *After Me Cometh a Builder, the Recollections of Ralph Palmer Merritt*. 1962, 137 pp.

Elmo Morgan, *Physical Planning and Management: Los Alamos, University of Utah, University of California, and AID, 1942-1976*. 1992, 274 pp.

Jack W. Peltason, *Political Scientist and Leader in Higher Education, 1947-1995: Sixteenth President of the University of California, Chancellor at UC Irvine and the University of Illinois*. 2001, 836 pp.

Suzanne Toll Peltason, *Partner and Participant: University of California Chancellor's and President's Wife, 1984-1995*. 2002, 158 pp.

Karl S. Pister (b. 1925), *University of California, Berkeley, College of Engineering, Professor and Dean: UCSC Chancellor; Universitywide Chair of the Academic Council and Vice President - Educational Outreach, 1952-2003*. 2003, 637 pp.

Franks C. Stevens, *Forty Years in the Office of the President, University of California, 1905-1945*. 1959, 175 pp.

Harry Wellman, *Teaching, Research and Administration, University of California, 1925-1968*. 1976, 259 pp.

The University of California Office of the President and Its Constituencies, 1983-1995.

*Volume I: The Office of the President*. 2002, 351 pp.

Interviews with: Stephen A. Arditti; William B. Baker; Ronald W. Brady; William R. Frazer; and Cornelius L. Hopper, M.D.

*Volume II: On the Campuses: Chancellors, Faculty, Students*. 2002, 332 pp.

Interviews with: Theodore L. Hullar; Clark Kerr; Julius R. Krevans; Pedro Noguera; Glenn T. Seaborg; Neil J. Smelser; Martin Trow; and Charles E. Young.

*Volume III: Regents and State Government Officials*. 2002, 483 pp.

Interviews with Roy T. Brophy; Robert J. Campbell; George C. Deukmejian; Richard G. Heggie; Walter

E. Hoadley; Meredith J. Khachigian; Howard H. Leach; Steven A. Merksamer; Dean A. Watkins; and Harold M. Williams.

*Robert Gordon Sproul Oral History Project.* Two volumes, 1986, 904 pp. Includes interviews with thirty-five persons who knew him well: Horace M. Albright, Stuart LeRoy Anderson, Katherine Connick Bradley, Franklin M. "Dyke" Brown, Ernest H. Burness, Natalie Cohen, Paul A. Dodd, May Dornin, Richard E. Erickson, Walter S. Frederick, David P. Gardner, Marion Sproul Goodin, Vernon L. Goodin, Louis H. Heilbron, Robert S. Johnson, Clark Kerr, Adrian A. Kragen, Mary Blumer Lawrence, Stanley E. McCaffrey, Dean McHenry, Donald H. McLaughlin, Kendric Morrish, Marion Morrish, William Penn Mott, Jr., Herman Phleger, John B. deC. M. Saunders, Carl W. Sharsmith, John A. Sproul, Robert Gordon Sproul, Jr., Wallace Sterling, Wakefield Taylor, Robert M. Underhill, Eleanor L. Van Horn, Garff B. Wilson, and Pete L. Yzaguirre.

Donated Office of the President Oral History

Afton E. Crooks

*On Balance, One Woman's Life and View of University of California Management, 1954-1990: An Oral History Memoir of the Life of Afton E. Crooks.* 1994, 211 pp.

## V. Wayne Kennedy—Interview History

The oral history with V. Wayne Kennedy was initiated by the University of California President Richard Atkinson in April 2003, a few years after Kennedy's retirement as the university's senior vice president for business and finance. President Atkinson had previously sponsored several oral histories of university officers, as well as other historical projects to foster research and preservation of the university's academic and administrative history, and wanted Kennedy's story recorded as well. Wayne Kennedy, then serving as senior associate (part time) for the president's office, willingly agreed to participate in an extensive oral history of his career in higher education.

Kennedy came to the University of California San Diego in 1973, after more than a decade with the University of Maryland and its School of Medicine. The first two sessions of his oral history recount his personal background and work in Maryland and then his career at San Diego for the next twenty years. He initially served at UCSD in Health Sciences and the School of Medicine and then on the general campus, first as director of planning and budget and for eleven years as vice chancellor during Richard Atkinson's chancellorship. During a time of rapid growth of the campus, he oversaw all administrative functions at San Diego and was considered a master of facilities planning and financing.

Interview sessions three through nine constitute a thorough-going examination of Kennedy's tenure as senior vice president for business and finance in the Office of the President in Oakland. His service began during the early days of the presidency of Jack Peltason, when the Office of the President was experiencing severe budget constraints, critical scrutiny in the press, and administrative restructuring, and continued for the three years of the Peltason presidency and the first five years of Richard Atkinson's. His oral history illuminates a wide variety of notable and sometimes controversial issues during these years, including the regental vote to end affirmative action at the university, executive compensation packages, site selection for the tenth campus, domestic partner benefits for employees, security breaches at the national laboratories, and shifting relations of the Office of the President with the Board of Regents and with the nine campuses of the University of California.

As senior vice president, Kennedy was responsible for a wide range of administrative functions of the statewide university. His oral history examines, among other topics, his efforts to improve business practices, auditing procedures, financial systems, human resources operations, facilities management, the technology transfer program, and information systems. He also discusses in some detail dealing with troublesome management problems of university-run hospitals and the three national laboratories.

The first interview with Wayne Kennedy was recorded at the Bancroft Library on September 29, 2003, while he was in Berkeley for a meeting. The second and third took place on November 17, 2003, on the San Diego campus soon after devastating fires had swept through nearby areas. Except for interviews five and six, when Kennedy again came to Berkeley, the remainder of the interviews were conducted in San Diego, concluding with the ninth session on March 11, 2004. The eighteen hours of recorded interviews were transcribed, audited, and very lightly edited before being returned to Mr. Kennedy for his review. His changes, for reasons of accuracy or clarity, were minimal. Audiotapes of the oral history are available in the Bancroft Library, and the transcript of this and other oral histories relating to the history of the University of California can be found at [http://bancroft.berkeley.edu/ROHO/projects/uc\\_history/](http://bancroft.berkeley.edu/ROHO/projects/uc_history/).

The Regional Oral History Office was established in 1954 to augment through tape-recorded memoirs the Bancroft Library's materials on the history of California and the West. The office is under the direction of Richard Cándida Smith and the administrative direction of Charles B. Faulhaber, The James D. Hart Director of the Bancroft Library, University of California, Berkeley.

Ann Lage  
Interviewer

June 25, 2007

## CURRICULUM VITAE

V. Wayne Kennedy

### EDUCATION

Bachelor of Science Degree, University of Maryland, 1961  
Major: Industrial Management (education for industry)  
Minor: Business Administration  
Graduate Work: College of Education, University of Maryland

### EXPERIENCE

May 2001 to present – Senior Vice President, Business and Finance-Emeritus, University of California.

May 2007 to present – Vice Chancellor for External Relations (Interim), University of California San Diego. Responsible for development, alumni affairs and university communications on a part-time and temporary basis filling in until a permanent appointment is made.

May 2001 to March 2006 – Senior Associate (part-time) University of California. Carried out a variety of part-time assignments including service on the Senior Advisory Group to the Director of the Los Alamos National Laboratory, Chair of the Strategic Review Committee for the Scripps Institution of Oceanography at the University of California San Diego, Chair of a committee to review a major structural engineering research project at the University of California San Diego, and a member of the University of California Santa Cruz working group to develop a university research center at the NASA Ames Research Center.

September 2000 to April 2001 – Senior Associate of the President (part-time) University of California. Responsible for carrying out special projects for the President of the University of California during a transition period with the successor Senior Vice President for Business and Finance.

June 1993 to August 2000 – Senior Vice President, Business and Finance, University of California.

As Senior Vice President, Business and Finance was responsible for development of policy and oversight of the university's financial systems, business functions, audit, technology transfer, information systems and computing, facilities administration, human resources, university benefit programs, including the UC Retirement System, controller functions, including corporate accounting, hospital accounting, risk management, and the DOE Laboratory management oversight. Also responsible for the administrative oversight of the Office of the President and the development of the business agendas for meetings of the University of California Board of Regents. Depending on the nature of the issue, the University's Vice President for Health Affairs and Vice President for Agriculture and Natural Resources report to the President through the Senior Vice President, Business and Finance. The Senior Vice President is responsible for effective business and finance policies and programs, the evaluation of the effectiveness of such policies, and for the installation and maintenance of advanced and proven management concepts, systems, and techniques. The Senior Vice President serves as the senior source of advice, counsel and staff support in all of these areas to the President of the University, the Chancellors, and other university-wide, campus, and DOE Laboratory management.

July 1985 to June 1993 – Vice Chancellor, Administration, University of California San Diego.

As the Senior Vice Chancellor in administration, responsible for oversight of all administrative functions and day-to-day management of budget, planning, design and construction, internal audit, technology transfer, development, alumni affairs, public affairs, real estate development, contract and grant administration, administrative records, and administrative computing. Specific duties include academic program review, facilities planning, analytical studies for all instructional, research, and public service programs; development and management of the operating and capital budgets.

April 1982 to July 1985 – Vice Chancellor, Resource Management and Planning, University of California San Diego.

February 1981 to April 1982 – Director, Planning and Budget, University of California San Diego.

1976 to 1981 – Associate Vice Chancellor for Health Sciences and Associate Dean for Administration, School of Medicine, University of California San Diego.

1973 to 1976 – Assistant Vice Chancellor for Health Sciences and Associate Dean for Administration, School of Medicine, University of California San Diego.

1969 to 1973 – Assistant Dean for Administration, University of Maryland, School of Medicine.

1965 to 1969 – Assistant Comptroller, University of Maryland.

1961 to 1965 – Faculty Research Assistant, Department of Physics and Astronomy, University of Maryland.

#### CURRENT OTHER ACTIVITIES

Member, Los Alamos National Laboratory Foundation Board of Directors, August 2003 to Present

Member, Dean's Advisory Committee, University of California San Diego School of Pharmacy, August 2003 to Present

Member, Board of Directors, Rees-Stealy Research Foundation, 2001 to Present

Member, Board of Directors, University of California Press, 2000 to Present

Member, Board of Directors, First Dental Health of California, 2004 to Present

Honorary Lifetime Member, Society of Research Administrators

#### PAST ACTIVITIES

Member, Senior Advisory Group to the Director of the Los Alamos National Laboratory, 2002 to 2006

President's Council on the National Laboratories, 1993 to 2000

Member, Board of Directors, California Association for Research in Astronomy, 1993 to 2000

AAU/NASULGC/AAMC/AHC Health Care Reform Task Force

Member, Board of Directors, Council on Governmental Relations, 1991 to 1995

Member, University of California, Office of the President, Transition Team, 1992

Co-Chair, University of California Transition Team Task Force on Clinical Enterprise Activities, 1992

Member, University of California Transition Team Task Force on Resource Planning, 1992

Member, University of California Technology Council

Chair, Operations Subcommittee of the Technology Transfer Council,

Member, University of California Executive Steering Committee, Patents, Trademarks, and Copyrights, 1989 to 1990

Member, Group on Business Affairs of the Association of American Medical Colleges

Fellow-In-Residence, Council on Governmental Relations, Washington, D.C., August–December 1987

Chair, Board of Management, Council on Governmental Relations, 1983–84 and 1984–85

Consultant to Meharry Medical College under the DHEW Financial Distress Grant to assist this institution in resolving its administrative and financial problems, 1977 to 1980

Member of the DHEW Review Committee for Financial Distress Grants, 1975–76 and 1976–77

National Chairperson, Group on Business Affairs of the Association of American Medical Colleges, 1976 and 1977

Member of the Association of American Medical Colleges Task Force on Medical Service Plans, 1976 and 1977

National Secretary of the Group on Business Affairs of the Association of American Medical Colleges, 1976

Chair and member of the Professional Development Committee of the Group on Business Affairs of the Association of American Medical Colleges, 1974 to 1976

#### SELECTED AWARDS, PRESENTATIONS, PUBLICATIONS EDUCATIONAL ACTIVITIES

May 2006 – Paper and presentation to the University of California San Diego Emeriti Association, “The UC System – Past, Present and Future?”

November 2000 – Paper and presentation, “The University of California Partnership for Performance Program” at the International Conference on Education Reform, Shanghai, China

November 1996 – Augustus J. Carroll Memorial Lecture, “Ethics, Integrity and Accountability in a Medical Enterprise in Flux” presented to the Association of American Medical Colleges

October 1995 – Recipient of the 1995 Distinguished Contribution to Research Administration Award, presented by the Society of Research Administrators. Presentation on “Reflections on Integrity in the Research University.”

April 1993 – Recipient of the Fulbright Senior Scholar Award under the United Kingdom College and University Academic Administrator Award Program for 1993–94. Declined award in order to accept the position of University of California Senior Vice President, Business and Finance

May 1991 – “Indirect Costs of Federally Funded Research at Colleges and Universities,” statement before the United States House of Representatives, Committee on Appropriations, Subcommittee on Labor, Health and Human Services and Education. Published in the Journal of the National Council of University Research Administrators, Volume 5, Number 1, Spring 1991

April 1990 – “Debt Financing of Research Facilities,” presented to the Group on Institutional Planning of the Association of American Medical Colleges

November 1987 – “Indirect Cost Rates at Research Universities, What Accounts for the Differences,” contributor and editor, report by the Council on Governmental Relations

June 1984 – “New Challenges in Financing Medical Education and Research: Public School Perspective.” Paper presented at the Association of American Medical Colleges, Financial Management Seminar

March 1983 – Group on Business Affairs of the Association of American Medical Colleges professional development educational program. Presentation on an overview of indirect costs in colleges and universities.

October 1980 – Presentation on the Implementation of Office of Management and Budget Circular A-21 (Cost Principles for Educational Institutions), at the annual meeting of the Group on Business Affairs of the Associations of American Medical Colleges.

April 1980 – Medical Study Tour of China.

January 1980 – Contributor to the publication, “Partnership between Universities and the Federal Government,” in response to the Study of Federal Assistance Management pursuant to the Federal Grant and Cooperative Agreement Act of 1977 (Pub. L. 95-224).

August 1979 – “Retrenchment, is it Manageable?” Presentation to the joint educational seminar of the Group on Business Affairs, AAMC/Professional Development Committee.

September 1978 – Presentation on the topic of NIH Grant Conditions to the Joint Seminar of the Group on Business Affairs, AAMC, and the National Institutes of Health.

September 1977 – “Compensation for Personal Services – A New Approach.” Presented at the Joint Seminar of the Group on Business Affairs, AAMC, and the National Institutes of Health, on “Interaction in Grant Programs.”

March 1977 and October 1976 – “Medical Service Plans,” presentation at the Group on Business Affairs, AAMC, Mid-level Management Training Program.

July 1975 – “Resource Allocation and Management,” presentation at the annual meeting of the National Association of College and University Business Officers.



## INTERVIEW WITH V. WAYNE KENNEDY

[Interview 1: September 29, 2003]

[minidisc 1]

1-00:00:00

Lage: Okay. Now we are recording, and it's September 29, 2003, and I'm interviewing Wayne Kennedy. I'm Ann Lage with the Regional Oral History Office. Wayne Kennedy is a retired senior vice president for administration for the University of California.

1-00:00:23

Kennedy: Actually Business and Finance.

1-00:00:26

Lage: I'm sorry. My first mistake. [laughs] Business and Finance. Didn't that change?

1-00:00:29

Kennedy: Yes, it did. [Ronald] Brady was vice chancellor for administration, and the transition team, in their recommendations to [Jack] Peltason, recommended a new organization in which that position was abolished and the senior vice president for Business and Finance was created.

1-00:00:47

Lage: Okay. And we'll get to that when we come to that period of time. Very good. Okay, well, we want to start way back in Maryland and talk about your personal background to sort of get a sense of who you are and what you brought with you.

1-00:01:01

Kennedy: Okay. Well, I was born in Baltimore.

1-00:01:03

Lage: When?

1-00:01:06

Kennedy: April 2, 1938. My parents were both Baltimore residents, although my mother was born in New York of immigrant parents. She was a first generation American.

1-00:01:15

Lage: From?

1-00:01:21

Kennedy: Poland.

1-00:01:23

Lage: From Poland.

1-00:01:24

Kennedy: Yes. My grandmother came here in her teens with her husband and had three children, and then my real grandfather died of some disease he contracted. My grandmother then later met a man that she had grown up with in Poland, in New York, and they got married, and he had one child—actually, two children—and then they had one additional one. So my mother has three brothers and three sisters.

- 1-00:01:55  
Lage: Was your mother that additional child?
- 1-00:01:57  
Kennedy: No, my mother was, let's see, the third of the three that my grandmother had with her first husband. My father was born in Baltimore and raised in Baltimore, of second-generation Americans. My father's mother, her parents came from Germany, and my grandfather's parents came from Ireland.
- 1-00:02:23  
Lage: I figured there was Irish in there somewhere.
- 1-00:02:25  
Kennedy: Yes, a little bit, a little bit. My mother only has an eighth-grade education, although two of her three brothers have Ph.D.s.
- 1-00:02:38  
Lage: Does that say something about the aspirations for the women at that time?
- 1-00:02:41  
Kennedy: I think it does. I think the women were expected to get a minimal education and help support the family, and so my mother's three sisters—none of them got beyond junior high school.
- 1-00:02:55  
Lage: Did they contribute to putting their brothers through college?
- 1-00:02:58  
Kennedy: Yes, they did, as a matter of fact.
- 1-00:03:01  
Lage: I think that's kind of a common story.
- 1-00:03:03  
Kennedy: It is. My father came from a family that worked in the steel mills. My grandfather worked for Bethlehem Steel for more than fifty years, and his three sons ultimately ended up in the steel mill. My dad has a high school education and some college, but he never finished college. He went to work in the steel mill as a young man.
- 1-00:03:32  
Lage: And then how did they meet?
- 1-00:03:35  
Kennedy: Through friends, mutual friends.
- 1-00:03:37  
Lage: Had your mother moved to Baltimore?
- 1-00:03:38  
Kennedy: Yes, they moved to Baltimore. I don't recall exactly when, but my grandfather, who was uneducated also, basically was a laborer. He worked for a company that manufactured wire fence in Baltimore. I guess there were more opportunities in Baltimore, so they

moved at some point to Baltimore. My parents, I think, were married about two years when I was born.

1-00:04:10

During the war, my father was actually assigned to the steel mill and worked double shifts throughout the whole war. I can remember. In 1945, at the end of the war I was seven, and I can remember the blackouts and remember my father working very long hours in the steel mill.

1-00:04:30

Lage: So he wasn't in the service, but he was doing—

1-00:04:32

Kennedy: Rather than being drafted—he actually tried to volunteer, and because of his skills as a steelworker, I assume that the military thought he was more valuable continuing to work in the steel mill, so he never—

1-00:04:49

Lage: Double shifts.

1-00:04:51

Kennedy: —never went into the service, while his two brothers did, who were younger. They both went in the Army.

1-00:04:55

Lage: He had family and children.

1-00:04:57

Kennedy: Right.

1-00:04:59

Lage: Do you have siblings?

1-00:05:00

Kennedy: I have a brother who is five years younger than I am. He lives in Maryland.

1-00:05:03

Lage: With your two uncles with Ph.D.s, was education something that was stressed in your family?

1-00:05:11

Kennedy: My parents believed in education and encouraged my brother and me to get beyond K through 12. And I think my father was very proud when I graduated from college because I was the first of his generation, on his side of the family, to get a college degree.

1-00:05:35

Lage: What about the high school? Were you in a high school that was mainly working class?

1-00:05:41

Kennedy: Actually, I went to a technical high school in Baltimore called Baltimore Polytechnic Institute, which was a college preparatory high school. It brought kids from all over the city into a central location, people that were interested primarily in technical education.

It really prepared people to go to college and become engineers and mathematicians and so forth. So that's where I went to high school. And it was an all-male high school, too.

1-00:06:12

Lage: That's interesting.

1-00:06:15

Kennedy: Baltimore had two all-male high schools, one emphasizing technical things and one emphasizing commerce, and then they had two all-female high schools.

1-00:06:22

Lage: Which emphasized?

1-00:06:24

Kennedy: Well, I'm not sure.

1-00:06:24

Lage: Probably something fuzzy.

1-00:06:28

Kennedy: Home economics.

1-00:06:28

Lage: Yes. Home economics! How did you happen to go to that school?

1-00:06:31

Kennedy: At that particular time, I thought I wanted to be an engineer. I was actually very good at mathematics. I had gone to a special junior high school, where you do three years of junior high in two, accelerated curriculum, and the counselors there advised me that, because of my aptitude for math and technical subjects, that that would be the right place to go.

1-00:06:59

Lage: So they were looking out for you.

1-00:07:02

Kennedy: Yes, I think so. I think so.

1-00:07:04

Lage: Did you have any particular boyhood interests that are remarkable?

1-00:07:11

Kennedy: I wouldn't call them remarkable. I think they were probably—like most teens, I was interested in sports and played a little bit of baseball and a little bit of football in high school, but I wasn't good enough to play varsity. I did have some musical skills, and I did play in a band throughout high school. In fact, actually had my own trio for a while.

1-00:07:36

Lage: And what was your instrument?

1-00:07:37

Kennedy: I played the drums.

- 1-00:07:39  
Lage: The drums. Oh, that must have made your family happy. [Laughter.]
- 1-00:07:43  
Kennedy: And actually made some extra money on the weekends, playing at high school dances and weddings and even had a gig for a long time in a bar, where we played on Friday and Saturday nights.
- 1-00:07:56  
Lage: Did you keep that up in college at all?
- 1-00:07:57  
Kennedy: No, I didn't. I didn't.
- 1-00:08:00  
Lage: It sounds like fun. What was Baltimore like to grow up in?
- 1-00:08:05  
Kennedy: After the war, my father quit the steel mill and opened up a hardware store, a neighborhood hardware store in northwest Baltimore, and I would say it was a middle-, low-income neighborhood, mostly a Jewish neighborhood that we moved into. I had a lot of fun as a kid. It was a safe neighborhood, and your parents were not concerned about you walking to school or walking to the movies or walking here or there in those days. I made a lot of good friends in the neighborhood, and my parents actually lived there until about 1967, long after I had gotten married and finished with college. So it was a nice environment, actually. And everybody was sort of in the same boat we were in, sort of struggling.
- 1-00:09:02  
Lage: Was politics something that was discussed much in the family?
- 1-00:09:07  
Kennedy: Actually, yes. My father was interested in politics and at one point in time actually considered running for political office—
- 1-00:09:18  
Lage: Oh, he did!
- 1-00:09:20  
Kennedy: —with the encouragement of the local legislator, but he decided that he really couldn't afford to do it because he was running a business and opted out. But he was fairly active in the Democratic Party. Sort of ward politics was the name of the game in those days, and there were a lot of political activities that were sponsored by particularly the Democratic Party, which was very big in Baltimore. We had a Democratic mayor and Democratic city council and I think, as I recall, a Democratic legislature in Maryland at the time.
- 1-00:09:51  
Lage: Did you get drawn into any of that, yourself?

- 1-00:09:53  
Kennedy: Just a little bit, not in any significant way. I wasn't very interested as a kid, or a teenager.
- 1-00:10:00  
Lage: Did you have a sense that your family gave you a lot of direction?
- 1-00:10:06  
Kennedy: No, I wouldn't say direction. My parents were very supportive of my brother and me. As I said, I had a great childhood, just had a good time. My parents were sort of fun-loving people. Just as an example, whenever there was significant snowfall, my father would pile us all in the station wagon that he'd owned, and we'd head for wherever there were hills to go sleigh riding, even school nights.
- 1-00:10:37  
Lage: School nights and work.
- 1-00:10:39  
Kennedy: Exactly. And so we always had fun, even though, again, we didn't have a lot of money or material things, but we really had a nice time. And my parents always liked to help us make decisions and tried to steer us in the right direction, but they really didn't push us to do anything in particular.
- 1-00:10:57  
Lage: They didn't write your college applications—
- 1-00:10:59  
Kennedy: No, they sure didn't.
- 1-00:11:02  
Lage: —things like we hear of today.
- 1-00:11:04  
Kennedy: No. But they were supportive.
- 1-00:11:09  
Lage: Let's see, I had a thought but it's escaped my mind. Is there anything to talk about in terms of mentors in your high school or pre-high-school age?
- 1-00:11:18  
Kennedy: The only one that I can really think of and remember with great fondness is my mother's younger brother, who is still alive. He was a fairly young Ph.D. at the time and worked for the National Bureau of Standards in Washington, DC. In high school, I had particularly trouble with a course in mechanics, and he was a physics Ph.D., and so I can remember—I don't know if it as my junior year—sophomore or junior in high school—driving to his house. I lived in Baltimore; he lived in the Washington suburbs, and I drove my dad's car once a week over to his house, had dinner with them, and then he would help me, tutoring me in mechanics to help me get through this course. I think I gave him some frustration on occasion, but he stuck with it. And I did get through the course. So he was sort of a mentor to me.

- 1-00:12:19  
Lage: And then you went to University of Maryland.
- 1-00:12:21  
Kennedy: Yes.
- 1-00:12:24  
Lage: Did you ever think of leaving town and leaving the area?
- 1-00:12:28  
Kennedy: I would say yes, I did, but for me there were not a lot of options, economically. I mean, I was a good student. I wasn't a great student, and there were not a lot of scholarship opportunities or loan opportunities in those days, so it pretty much was the state school, which was very inexpensive. I had really thought about going to a small college in western Maryland, Western Maryland College, which had a great reputation and very small, 3,000 students; but the tuition was just prohibitive for my family, and so I wasn't able to do that. Maryland was thirty miles from home in College Park.
- 1-00:13:10  
Lage: Did you live on campus?
- 1-00:13:12  
Kennedy: I did live on campus.
- 1-00:13:15  
Lage: So that was an expense, too.
- 1-00:13:17  
Kennedy: Well, except I worked. My first year, I worked in the dining hall and got room and board, so all that we had to pay for was my modest tuition and my books and whatever other incidental expenses.
- 1-00:13:28  
Lage: Tuition was probably about fifty dollars a year?
- 1-00:13:31  
Kennedy: You know, it seems to me it was maybe a hundred dollars for the two semesters.
- 1-00:13:34  
Lage: That's about what it was here.
- 1-00:13:37  
Kennedy: And books were much less expensive than they are now. I used to take the Greyhound bus from College Park to downtown Baltimore and then the public transportation to go home on weekends, because I didn't have a car, and my parents weren't in a position to provide transportation.
- 1-00:13:57  
Lage: So what was college like for you, and how did you end up in your major of industrial management?

- 1-00:14:02  
Kennedy: College for me was going to school and working. I worked the entire time I was an undergraduate, in the dining hall. Later I worked as a draftsman in the physics department on campus. I did that for three years, a little more than three years. And then Christmastime I'd work for the post office, and every opportunity I had to make money, that's what I had to do, so I missed out, I think, on a lot of the fraternity, a lot of the social activities because I just didn't have the time between studying and going to class and working.
- 1-00:14:40  
Lage: You didn't still have the football coach as president at that time, did you?
- 1-00:14:44  
Kennedy: No.
- 1-00:14:47  
Lage: Was it [Paul] "Bear" Bryant? Is that the name?
- 1-00:14:50  
Kennedy: When I was there, Wilson [Homer ("Bull")] Elkins was the president, who was actually an All-American at the University of Texas and a Rhodes scholar. He was president of the University of Maryland for, I think, thirty-some years. [1954-1978]
- 1-00:15:02  
Lage: I guess I interviewed a professor here who had taught at Maryland. It must have been in the forties. There was a famous football coach as president ["Curley" Byrd].
- 1-00:15:14  
Kennedy: Bryant was there for a while, and then there was a guy by the name of Tatum, but I don't recall who the president was at the time. But Elkins was there when I was a student. He was there when I worked there. He was there when I left the university to come to California. He was quite an interesting character.
- 1-00:15:36  
Lage: What was industrial management?
- 1-00:15:38  
Kennedy: Well, you know, I started out as an engineering student, and in I think it was my sophomore year I came to the realization that I really wasn't that interested in the kind of courses that I had to take in engineering. And so I looked around for other curricula that I might be interested in. There was a gentleman who was a faculty member, and I'll think of his name in a second, who ran a program in industrial management. They called it something different, but it was industrial management. It was kind of a marrying of technical things and administrative or managerial kinds of courses. It just had more of an appeal to me than a straight engineering curriculum. And so after talking to him—George Merrill was his name, and actually he would be someone I would consider a mentor, as an undergraduate. But he convinced me that it was a curriculum that would open up a lot of potential doors when I graduated, in terms of employment.
- 1-00:16:51  
Lage: And that's probably what you were interested in.

- 1-00:16:53  
Kennedy: And that's what I was interested in because I was working for a living, as a college student. And so I switched my curriculum, and I've never really regretted it. It was actually a real good background. I took a fair number of business courses—you know, accounting and business law and things like that and also a good offering of mathematics and other technical courses that I took in the School of Engineering and in the School of Business. This particular program, for whatever reasons—I've never understood—was actually lodged in the College of Education. And so I graduated with a B.S. in education, even though it was an industrial management kind of a program.
- 1-00:17:39  
Lage: I—[laughs].
- 1-00:17:41  
Kennedy: I don't know.
- 1-00:17:43  
Lage: It must have just been circumstance.
- 1-00:17:44  
Kennedy: I think George actually invented the program and was looking for a home, and I don't think he was very well received in engineering or in business. And I think there was kind of an industrial education program. You have to remember, this is back in the fifties. There was an industrial education program in the College of Education, and I think this kind of fit a little more into that niche.
- 1-00:18:14  
Lage: What would a graduate normally do, get into—
- 1-00:18:20  
Kennedy: Industrial engineering—you know, time-and-motion studies or in today's world it would be someone who might have a joint business and engineering degree or a joint business and biotech degree, sort of preparing people to go into industry, a technical industry, and be a manager and be comfortable on both sides of the ledger, both the technical and the...And so it was kind of a forerunner, I think, of some of the joint programs we have today.
- 1-00:18:49  
Lage: Yes, that's what I was thinking. It sounds very forward looking. And engineers so often went into management in those days.
- 1-00:18:56  
Kennedy: Yes.
- 1-00:18:58  
Lage: Wasn't there a period when many, many managers were engineers?
- 1-00:19:00  
Kennedy: Right, because we were moving into a technological society, and there was a real need for people with technical skills. So I've always been comfortable around technical things. As I think back about it, one of my perhaps sort of successes in high ed, as an

administrator, was my ability to get along with the faculty, particularly those who were in technical fields: physics and engineering.

1-00:19:27

Lage:

Would it also have given you more mathematics than the average business school person of that era?

1-00:19:31

Kennedy:

Yes, I had calculus in high school, and I had calculus again in college. I had a lot of physics in high school and college, and chemistry, so I think I had a good fundamental background in technical fields.

1-00:19:49

Lage:

So how did you get from that to educational administration?

1-00:19:54

Kennedy:

It's sort of being at the right place at the right time, I guess. I mentioned earlier that I worked at the physics department at the University of Maryland as a draftsman, and I had those skills because—I was a February high school graduate. In those days they entered people into a school in the middle of the year, so I graduated high school in February of 1956, and I didn't start college until September of 1956. So from February until September I got a full-time job working as a draftsman for a company called Revere Copper and Brass, in Baltimore. They had two plants. They had an extrusion plant and a rolling mill. I got a job in their tool-and-die design office as a draftsman, drawing up dies that they used to extrude aluminum. And so for that period of time, I got some experience, practical experience, sort of hunched over a drafting board which even convinced me even more I should go to college.

1-00:21:16

And so then, when I went to college, the first job I had was in the dining hall, but then I started looking around for something that was more interesting and more challenging and paid a little better, and so in the student newspaper was an ad for a draftsman in the physics department. I applied and because I had had this experience, I was hired. We did, believe it or not, ink-on-linen graphs and charts for faculty publications, because they didn't have computers or whatever in those days. And the physics department had a lot of experimental programs, and so there were drawings made of equipment that had to be built for various experiments, and I did that. And so from my sophomore year until I graduated, I worked in the physics department, first as a draftsman, and then the fellow who was responsible there was a mechanical engineer, and he kind of liked me, and he started giving me other chores to do, some of them sort of administrative, managerial chores, and so I got some experience, and people knew who I was in the physics department.

1-00:22:29

So when I got ready to graduate and started looking for a job, I had actually taken a job in industry that would have required me to move to New Jersey. I don't know how far into the detail you want to get, but at sort of the eleventh hour, I was offered a job in the physics department as sort of a departmental business manager, something they didn't have in those days.

1-00:22:53

Lage:

They sort of created a job for you.

1-00:22:55

Kennedy:

Well, actually, they had created the job for someone else. There was a man there or a friend of mine who was getting a master's degree in business, MBA degree, and they had offered the job to him. He actually worked for the chairman of the department. And he decided that his future was going to work for Eastman Kodak, not for the University of Maryland Department of Physics. But he told the chairman of the department that he should talk to me because I was getting ready to graduate with a bachelor's degree. I needed a job because I had already gotten married and we were expecting our first child. So because of those circumstances, and because of recommendation by this other student, and because I had worked there and this mechanical engineer highly recommended me, they offered me the job, and that's how I got into higher ed.

1-00:23:49

And I decided to take it for three reasons. One is they actually offered me more money than I was offered in industry, by five hundred dollars a year, which was a lot of money in those days.

1-00:23:57

Lage:

Yes, and that's kind of surprising.

1-00:23:59

Kennedy:

They offered me six thousand dollars a year, and I was offered fifty-five hundred in industry.

1-00:24:03

Lage:

This was '61.

1-00:24:07

Kennedy:

Nineteen sixty-one. Secondly, it would allow us not to have to move, and my wife had just delivered my son, and moving with a small child was sort of a formidable task for us. And then finally, and one of the most important things was that in those days, if you were an employee, you could go to graduate school, and the university paid for it, and they gave you time off from work—not full time but part time, and I figured: Well, I can work. I can still live here. I can go to school and maybe get a master's degree, and then I can go out and get a real job. Of course, forty years later—

1-00:24:44

Lage:

You're still lookin' for the real job.

1-00:24:46

Kennedy:

Still lookin' for the real job.

1-00:24:49

Lage:

That's interesting. Well, you didn't mention that in the midst of all your work and study, you also married your wife and had a child.

1-00:24:57

Kennedy:

Yes, I did.

1-00:24:59

Lage:

[Laughs.] And your wife is Flora?

1-00:25:02

Kennedy:

Yes, Flora. From Baltimore. Actually, she was born out in the countryside in a little town called Fork, Maryland, but moved into town when she was, oh, I don't know, eleven or twelve years old. Interestingly enough, her father also was a steelworker, and they lived in east Baltimore; we lived in northwest Baltimore. She came from a family that also was pretty much uneducated. Her father was a German immigrant after World War I and had the distinction of serving in both the Kaiser's army and the U.S. Army. He was in the Kaiser's army in Germany in World War I, and when he immigrated to the U.S., he couldn't find a job so he joined the army.

1-00:25:51

Lage:

That's where he had the experience.

1-00:25:53

Kennedy:

That's where he had the experience. And so my mother-in-law was born out in the countryside, and I don't think she went beyond junior high. My wife had five siblings: two sisters and three brothers. Her older sister died at a very young age of a heart condition. My wife actually, for a long time, was the only one of her siblings that graduated from high school. Later on, her brother got an equivalency when he was in the service and then went on and actually got a college degree. So my wife was raised in an environment not too different than the one my mother was raised in, where education, at least—particularly for the women—was not emphasized and really wasn't pushed that hard for the males. But getting a job and contributing to the family was the name of the game. But somehow she managed to get through high school and then later did some college work, but actually did not graduate college.

1-00:26:55

Lage:

You didn't meet her at University of Maryland.

1-00:26:56

Kennedy:

No, we met just fortuitously at a local hangout called the Diner. She was visiting a friend of hers, and this was in northwest Baltimore, where I lived, on a Friday evening, and I was there with some friends and she was there with some friends, and we sort of met, and I got her phone number and we started dating, and two years later, we got married.

1-00:27:16

Lage:

What year were you in school?

1-00:27:18

Kennedy:

I started Maryland in September of '56. We got married in September of '59, and I graduated in February of '61.

1-00:27:29

Lage:

Oh, you *were* busy! Gosh! No wonder you—

1-00:27:33

Kennedy:

And my son was born in January of '61.

1-00:27:38

Lage:

Wow. Okay. Well, tell me what took place then. From physics you got drawn into administration of the university.

1-00:27:44

Kennedy:

Yes. The physics experience really laid, I think, the fundamental experience for me to really move on. I spent about five years in the physics department and had the good fortune of being involved in what was a very larger project in that era, of building a cyclotron in the physics department at the University of Maryland. The physics department there was just really beginning to get a national reputation, was generating sizeable amounts of research funds, and my job was to help the faculty manage their programs, particularly the business-financial end of the programs.

1-00:28:31

And when the department decided to apply for the cyclotron—which was, in those days, the Atomic Energy Commission program; they had a university division that supported basic research. I was put on a team of four people: the mechanical engineer I mentioned; two physicists, the director of the program, and another full professor in physics, both experimental physicists; and me. And we were the four-person team charged with the responsibility of writing the proposal, convincing the Atomic Energy Commission to fund this and then actually building it. This was just a wonderful experience for a young kid.

1-00:29:16

Lage:

It seems like it.

1-00:29:19

Kennedy:

I negotiated what then was a big contract, \$3 million contract, with the Atomic Energy Commission for the University of Maryland, because they didn't have anybody that was really sophisticated in contract and grant administration or negotiation in those days.

1-00:29:34

Lage:

And were you learning as you went?

1-00:29:36

Kennedy:

I was learning—

1-00:29:38

Lage:

Or did your education—

1-00:29:40

Kennedy:

I was learning on the job. But it was just a lot of fun, a lot of hard work. We did have some legal support from the attorney general's office of the state of Maryland. They assigned a young assistant attorney general, who I became very good friends with, and he and I kind of took the business side, the mechanical engineer and the physicist took the technical side, and we actually were successful. We got the award from the Atomic Energy Commission. The university managed to get some funds from the state of Maryland to build the building. We negotiated the contract. We then went out to bid and hired actually a French design firm working with the Raytheon Company, a U.S. firm, to design and build the cyclotron and saw it through to its completion.

1-00:30:32

Lage:

That was quite an experience.

1-00:30:11

Kennedy:

That was the basis for a lot of my deep and early background. And then in nineteen sixty—I better get the dates straight here. I guess it was '65, the university College Park campus recognized that it was getting into the government-funded research business in a fairly substantial way. They had a need to create an office to interface with the faculty, interface with the federal government in this arena, which was becoming quite important to the university. There was a gentleman there who had been a government contracting officer during the war, and the university had hired him after the war. He was a very nice man, but he was really steeped in the government way of doing business with defense contractors, not in a university-government sort of partnership kind of a relationship, and so he was not, I think in the eyes of the faculty, terribly helpful. He was viewed more as a bureaucrat and someone to stand in their way rather than to help them, whereas I had, in a sense, come out of a faculty environment, where I'd worked with the faculty.

1-00:31:29

So in any event—in those days, they didn't do searches. If they wanted to hire somebody, they just hired them. No affirmative action.

1-00:31:35

So one day I received a call from the person who was the comptroller of the university, a fellow by the name of Harry Fisher. Said he'd like to talk to me and would I come over, so I went over there. He said, "Well," he said, "we're going to create an office. We need to have an office of contract and grants, and we'd like you to head it." You would inherit this gentleman who had been there and his very small staff. He told me he realized that was a burden, but they just had to allow this person to continue, and would I be willing to take it on. I said I would think about it.

1-00:32:53

So I went back, and I talked to the chairman of the physics department, a gentleman by the name of John Toll, who I will come back to later because he later became the president of two universities: State University of New York at Stony Brook, and then later he became president of the University of Maryland system, not just the campus. But in any event, I talked it over with him, and he said he thought he would really hate to lose me but this was really a good opportunity for me and for the university to develop this office.

1-00:33:27

I was kind of a brash young guy in those days, and so I went back with my list of particulars in terms of what I needed to be successful, which was obviously some budget, some more people, and some better quarters than what they were operating out of, and the university agreed to give me what I asked for, including a salary increase. So in 1965—I don't remember the month anymore, but I moved from the physics department to the central administration, with the title of assistant comptroller. But I was really the first research administrator for the university, and I did both what they now call the pre-award and the post-award—worked with the faculty to generate proposals to submit to the federal government and then negotiated those grants or contracts and then managed them once they came into the university.

1-00:34:20

Lage:

And this was a new area, not just for Maryland but probably there were a lot of universities just getting into—

1-00:34:25

Kennedy:

Yes, although, UC was way ahead of the game because it was a very big defense partner during the war. Maryland was, to a certain extent, but nothing like the University of California or MIT or whatever. But in the physics and chemistry arenas at the University of Maryland, they were becoming quite recognizable from a quality point of view, and they were recruiting young faculty who were very competitive for research dollars. A lot of money from the National Science Foundation, and NASA was just blooming in those days, a lot of money from NASA; a lot of money from Atomic Energy Commission. So it was kind of fun.

1-00:35:08

So I went over there, and recruited a few people. The first person I recruited was someone who actually worked for me in the physics department, who had left to go become business manager of another department. I got him to come over and work for me as a contract administrator and hired an ex-military person who had had a lot of experience in the government side of managing contracts. We put a team together over a period of a couple of years, and I think we did a really good job, and I think the faculty really liked what we were doing because we were helping them. We weren't telling them—

1-00:35:52

Lage:

Not what you can't do but—

1-00:35:54

Kennedy:

We told them how to get things done. We put out brochures telling them the proper way to fill out your proposals for success, and we would bust our butts to get proposals out by deadlines and really help the faculty.

1-00:36:10

Lage:

Would you help them write them?

1-00:36:12

Kennedy:

We weren't in the business of writing proposals. That was still done mostly by the faculty, although we did help them put it in the final form, do some editing, and in particular to make sure that the budgets were sound and could be justified, would pass muster with the government. The faculty were not very good at that, and there really weren't good support systems in those days at the department level like there is now. And so I think we were very successful.

1-00:36:39

Lage:

Were there national networks that you could draw on at that time? There must be now.

1-00:36:43

Kennedy:

There really was the beginning of an organization that I later and continue to be very much a part of called the Council on Governmental Relations, which was in those days part of the National Association of College and University Business Officers. It got together sort of informally, after the war, particularly in the early fifties, as universities became more contractors with the government, more partners with the government. I

can't remember the first meeting that I went to, but sometime in the mid-sixties, and this was a by-invitation-only kind of a meeting, and somehow—and I think it was through John Toll, who suggested that I ought to talk to the fellow at Princeton [University], who was the contract administrator, a guy by the name of Ray Woodrow, who I will always remember. John Toll was willing—and this was when I was still in physics—to fund the trip to Princeton.

1-00:37:48

In those days, administrators didn't get travel money, and so even though Princeton wasn't that far away, he did fund the trip for me to go and spend a day with Ray Woodrow, and Ray said, "You really ought to attend these meetings of this council because these are the people from the budding research universities around the country." I guess he invited me to the first meeting. And then once you go and contribute something and participate, then you get invited, and so I started going to those meetings, and then later on I got very active with that group.

1-00:38:20

Lage:

You've always had kind of an active role in these national associations.

1-00:38:24

Kennedy:

Yes, yes, I have. I think it's good for the university that you work for, and it's also obviously good for the individual because you get a reputation if you're willing to contribute. But I think from the university's point of view, both Maryland and California—these are places where policies do get changed, and ideas do get floated into the government. And if you're there, then you get your order in; if you're not there, you're not part of it. And so I always felt it was important for Maryland and for the University of California to have people active in these organizations so that we could get our agenda on the table, not other universities' agenda but our agenda.

1-00:39:04

Lage:

Interesting. Okay. Is there more about that period of time, or shall we talk about how you moved into the School of Medicine?

1-00:39:10

Kennedy:

You know, the only other thing that I will add, because it plays into the medical school thing, is during that time, there was a vice president for research appointed at the University of Maryland, and also at that time the university began to, in a sense, mimic the California system and go to a president and chancellor system.

1-00:39:32

Lage:

Were they mimicking them consciously?

1-00:39:34

Kennedy:

Yes, yes, I think they were, although a little different approach, and the University of Maryland does not have constitutional autonomy like UC, and I think even today they haven't quite got it, but they continue to have a decentralized system. But they did appoint a chancellor for a new campus in Baltimore, Baltimore County campus, which was just starting then. In fact, they appointed one individual to be the chancellor of the two Baltimore campuses: the Health Science campus, which was already there and was sort of run by the College Park folks, but they appointed him chancellor for the new campus and for the Baltimore campus; and then Elkins continued to run College Park

until after I left, and then they actually appointed a chancellor for College Park. He elevated to the president of the system.

1-00:40:28

Lage:

Elkins did?

1-00:40:32

Kennedy:

Yes, Elkins did. And then there was a small black college on the eastern shore of Maryland, which the university had responsibility for starting after World War II but kind of treated it as a stepson or sister, but they embraced it as a campus and actually appointed a chancellor for the Eastern Shore campus, and so suddenly we went from, in a sense, a single campus with kind of branches to a system in which there were now four campuses in this period of the late sixties into the early seventies.

1-00:41:05

The reason that I mention that is because they appointed a vice president for research, a fellow by the name of [Michael] "Mike" Pelczar, who became actually a good friend over time. But he had a deputy, an associate dean of the graduate school, a fellow by the name of George Trytten, who was a mathematician, and I became very good friends with George. We were colleagues, and he got more, then, involved in the pre-award, working with the faculty in terms of opportunities for research, contracts, and grants. We sort of worked as a team. When I started thinking about taking this job in Baltimore (and I will come back to that), George Trytten, who was the associate dean, and Mike Pelczar, who was the vice president, desperately wanted me to stay.

1-00:42:04

And so they approached the then-president of the university, Wilson Elkins, and asked Elkins if he would consider making me an associate dean of the graduate school and moving my function into the graduate school and that I would report directly to the vice president for graduate studies and research. He actually agreed to do that, which was a difficult thing for him to do because he was a very snobbish academician, and because I didn't have a terminal degree. He wasn't sure it was a good idea to have an associate dean who only had a bachelor's degree. But in the end, he went along with it. But in the end, I decided not to take it.

1-00:42:39

Lage:

[Laughs.] After you got him to agree to it.

1-00:42:43

Kennedy:

Right.

1-00:42:45

Lage:

Or they got him to.

1-00:42:48

Kennedy:

I had actually got to know Elkins because the president signed everything in those days. There was no delegation of authority for signatures. And so every time we had a proposal to go to the government, we would prepare it for his signature, and if he had questions, I was the guy he would call. I'd go down to his office, which was about twice the size of this room—

1-00:43:02

Lage:

Which is big.

1-00:43:05

Kennedy:

And he sat at one end with his desk, and he'd have all this furniture and this big conference table. It was very intimidating to go into his office because he was kind of a tough guy. He'd ask very demanding questions about why we were doing this and why we were doing that, and so he knew who I was. I wasn't a stranger. But he did interview me before he decided to allow Pelczar to make the offer. And then in the end I turned it down.

1-00:43:33

Lage:

Now, was the graduate school the one that was responsible for research? Is that why--?

1-00:43:38

Kennedy:

They were evolving, and they were evolving in a model which would have a vice president for research and graduate studies who would have cognizance over all of the graduate programs, including the research programs, and so the relationship would sort of move from the traditional thing. It would go up through the dean's office, like we went to the dean of art and sciences when we had research proposals. Under this new model, the dean was kind of pushed aside to worry about undergraduate education and the like, and the graduate and research activities were going up through the vice president for research. Not too different than how most of the campuses operate today. It was kind of a model that was, as I said, beginning to evolve.

1-00:44:26

Lage:

So why did you turn that down?

1-00:44:27

Kennedy:

Well, in 1969, I received a phone call one day from a gentleman who was the now-chancellor of the two campuses that I mentioned. Formerly, he was the executive vice chancellor of the system. His name was Albin Kuhn. He was an agronomist, came out of the aggie program at Maryland, which, by the way, Maryland was an aggie school. I mean, it started out as an aggie school, so agriculture was a big part of the university. But Albin called me one day, and he said, "I'm chancellor of the Baltimore campuses, and we're recruiting a new dean of medicine for the medical school in Baltimore. This is a young guy we're recruiting from Harvard." He was thirty-four years old, I think. And he needs to hire someone in an administrative role, and he would really like to have somebody that knows the University of Maryland. And he says, "You're the first person that I thought of. Would you like to talk to him?" I said, "Sure, why not?" So he said, "Forget I ever called you, and we'll get back to you."

1-00:45:39

I went home, and I remember saying something to my wife about it, and didn't hear from him for, I don't know, a couple of months. He called me back one day, and he said, "This fellow is coming down for an interview to talk to me, and I'd like you to come up and meet him." I said okay. So we picked a time and so forth, and [chuckles] I'll always remember it because I made the mistake of assuming that the meeting was going to be at Albin Kuhn's office at the Baltimore County campus, where I had gone to meet with him on other occasions, over other issues. And so I arrived at his office at the Baltimore County campus, to be told, "Well, they're downtown in Baltimore."

1-00:46:23

Lage: This other, Health Sciences—

1-00:46:25

Kennedy: The other office. I was quite embarrassed, so the secretary called and said I would be a little bit late, but it was no big deal. So I met briefly with Albin and with the new dean they were hiring, a fellow by the name of John Moxley, and then Albin left, and Jack and I sat down and spent several hours chatting. We just hit it off. I mean, he was thirty-four, and—let's see, this is 1969, so I was thirty-one at the time.

1-00:46:54

Lage: You were a youngster for all you'd done.

1-00:46:57

Kennedy: Sort of two relatively young guys. I knew the university very well, and I knew particularly research contracts and grants, and I knew enough about facilities and things of that nature, but I didn't know anything about medical schools. I had never had any experience in medical school and couldn't quite figure out why Jack wanted to hire me because I just didn't have the right experience. But we had a nice conversation, and he said he'd like me to come up to Boston. He wanted me to meet the associate dean for administration of the Harvard Medical School, a fellow by the name of Henry Meadow, who I later found out was kind of an icon in medical education, administrative aspects of medical education. A few weeks later, I flew up to Boston and met some more with Jack Moxley and spent about two hours with Henry Meadow, had dinner with Jack and his wife that night, and then the next day Jack made me an offer.

1-00:48:06

Lage: Was it a better offer than the graduate program?

1-00:48:12

Kennedy: In the end, the salary was not an issue. Everybody was willing to make the same salary offer. But I decided to take it for a number of reasons. One is, quite honestly, when I really thought about it, I was kind of getting tired of the research administration—I had sort of achieved what I set out to do in terms of establishing an office, getting it organized, recruiting some really good people, and now it was becoming kind of routine. And so—

1-00:48:48

Lage: You wanted a challenge.

1-00:48:51

Kennedy: I wanted something new to do. They weren't going to build another cyclotron. They had done that. And so the medical school just sounded to be really exciting. And I also knew, quite frankly, that at College Park my horizons were somewhat limited in terms of moving up because I did not have a terminal degree, and even though Maryland in those days probably was of less quality than it is today, it still had a snobbish academic atmosphere once you got beyond a certain fairly low level. I just knew I'd never be—

1-00:49:28

Lage: Sometimes that's more important to the school that's trying to rise up.

1-00:49:30  
Kennedy: Absolutely. I didn't think I ever had an opportunity to be a vice president or whatever at Maryland, but this medical school thing seemed to really be interesting because basically Jack was hiring me because he thought I was bright, hard working, and I had some good experience, and he figured I could learn what I needed to learn about medical schools and medical centers on the job. He was young and extraordinarily smart and had a lot of ideas and ambition, and it just seemed like just an exciting thing to do. So [I] talked it over with my wife—

1-00:50:06  
Lage: It meant a move to Baltimore.

1-00:50:08  
Kennedy: Well, actually, we didn't. In the end, we stayed over in the Maryland suburbs, and I commuted. We had two children by then, a boy and a girl, and we had moved from our first house out about ten miles away from the university, and we lived in a semi-rural area, and we really liked it. The schools were very good there. And so I started commuting and got in the habit, and so I commuted for four years, even though it was quite a burden. So that's how I got into the medical school.

1-00:50:36  
Lage: Okay. That's good. Now, what did you find when you got there? Am I pushing you too much on this?

1-00:50:42  
Kennedy: No, no, no. I'm doing fine.

1-00:50:44  
Lage: You're doing well. Okay.

1-00:50:49  
Kennedy: Well, first off, I actually arrived about a month before the new dean arrived. He called me and said he'd like me to get there by June 1, because there was a lot of activity from a financial point of view and budgetary point of view, and appointments and so forth that happened during June, getting ready for the new fiscal year, July 1. He was not comfortable with having that handled by the former administration. The former dean, who I had met once, was sort of the old-school kind of dean who did everything himself. Everything went across his desk. He didn't have an associate dean for administration or anything like that.

1-00:51:35  
Lage: And so I arrived on June 1, and I was given a temporary office in the chancellor's area, not in the medical school but in the chancellor's area. In fact, I was in sort of a blank little hallway with a metal desk and a file cabinet and a telephone, and that was it. I have to admit I was overwhelmed because suddenly this paper started flowing, everything from appointments of new faculty to payroll authorizations.

1-00:52:04  
Lage: And here you were, with no leadership over you.

- 1-00:52:07  
Kennedy: I had no idea what I was doing, quite frankly, but somehow muddled through it. On July 1, the new dean arrived. I moved over to the dean's office, and we sort of went into business.
- 1-00:52:23  
Lage: Was the school in some kind of a crisis situation, or was this shifting of deans a purposeful new direction?
- 1-00:52:31  
Kennedy: I don't think it was in a crisis situation. I think, if I'm real sort of candid, I think it was sort of at a stalemate. The school was an okay medical school, and the medical center was an okay medical center, but it was very traditional, and right across town was Johns Hopkins, a very famous medical school and medical center, and I felt the chancellor, Albin Kuhn, just felt that it was time for a fresh new person to come in. He was able to recruit this fellow, who was the assistant to the dean at Harvard and had all the right tickets. I think he went to Williams College as an undergraduate, and I can't remember where Jack went to medical school, but he graduated medical school at a very young age, and he did his residency at the Brigham [and Women's Hospital] in Boston, and he did two years at the NIH [National Institutes of Health] as a fellow, and so he had all the right tickets. He had worked for [Robert] "Bob" Ebert, who was another icon in medical education, the dean at Harvard, and he was a bright, articulate young guy. And so I think Maryland and Albin Kuhn felt this was a person to bring in to really turn this place on its heels.
- 1-00:53:49  
Lage: It sounds like they were raising their sights.
- 1-00:53:51  
Kennedy: Trying to raise their sights, exactly. And so Jack came in, and I think over a four-year period did a lot to enhance the quality and reputation of the University of Maryland. There were all kinds of issues to deal with, in dealing with affiliated hospitals. I can remember dealing with a strike of hospital workers, where they brought the National Guard in to run the hospital.
- 1-00:54:23  
Lage: So now you were in the whole range of administrative duties, not just contracts and grants.
- 1-00:54:25  
Kennedy: Right. And we lived in an urban area, downtown Baltimore, in which we were isolated from the downtown area, which was beginning to be refurbished. We were sort of in a no-man's land, in a sort of very depressed housing area, a ghetto kind of place, and a warehouse, sort of industrial area. And then there was the downtown. So here we were, sitting in the middle of this tough area.
- 1-00:54:52  
Lage: Right. And let's remember this was '69 and early seventies, when there had been a lot of unrest.
- 1-00:54:57  
Kennedy: You bet. You bet.

- 1-00:55:00  
Lage: So were you experiencing that neighborhood unrest?
- 1-00:55:02  
Kennedy: Oh, yes.
- 1-00:55:05  
Lage: Third-world aspirations?
- 1-00:55:07  
Kennedy: There was a lot of that, and yet the population, the poor population in downtown Baltimore were very grateful for the University of Maryland Hospital because that was their place to get health care. There was no other place. We even had support from some of the gangs.
- 1-00:55:23  
Lage: Because they went there.
- 1-00:55:25  
Kennedy: Because they went there, particularly on Friday and Saturday nights. But we even had visits from gang leaders, telling us that if we ever had any problems, they were prepared to help us.
- 1-00:55:37  
Lage: How interesting.
- 1-00:55:39  
Kennedy: Because they felt we were contributing to the people there. We were helping people with their health-care problems. But it was a tough area. I mean, we had medical students—I remember one young woman got hit in the head with a pipe or something, parking her car. There were some difficult times.
- 1-00:56:02  
Lage: Was there more than one hospital? You mentioned affiliated hospitals.
- 1-00:56:04  
Kennedy: The university hospital was right on the campus, right across the street from the dean's office of the School of Medicine. We had an affiliation with the Baltimore Veterans Administration; we had an affiliation with the Baltimore City Hospital, which was a charity hospital; we had affiliation with a couple of Catholic hospitals in town. And in medical education, that's necessary because you can't provide all of the clinical experience for your medical students in your own medical center. It's just not big enough. There aren't enough patients. And so you farm them out. And the same thing with your residents. You have joint residency programs with other medical establishments.
- 1-00:56:42  
Kennedy: One of the things that Jack, tried to do, Jack Moxley, was to develop a good collegial relationship with Johns Hopkins because he felt that was in our best interest, clearly, and Hopkins also had affiliations with some of the same institutions we did. The dean at Hopkins in those days was a fellow by the name of Dave Rogers, who Jack Moxley

knew. We actually had developed some joint programs and had a fair amount of interaction with Hopkins.

1-00:57:11

Lage:

Were you responsible for hospital administration as well as the medical school?

1-00:57:16

Kennedy:

It wasn't crystal clear who was responsible for the medical center. Again, that's not always unusual in university medical settings. The dean clearly was responsible for the medical school and all the academic programs and the research and so forth. The director of the hospital kind of had what I'll just fondly describe as a dual reporting relationship. The chancellor never quite let go because the medical center was potentially a major financial issue for the campus, and so the chancellor wanted to stay sort of on top of that. But the relationship between the hospital director in terms of our need to have students there and to do research there and so forth was with the dean. It was kind of a fuzzy—somehow it worked, but it wasn't always crystal clear who was calling the shots.

1-00:58:16

But I developed a very good relationship with the medical center director and with the director of finance for the hospital medical center, and so we did a lot of things in sort of a joint effort. We met on a regular basis, because a lot of the costs of what we were doing were borne by the hospital, and the faculty sometimes were paid by both ends of the spectrum.

1-00:58:42

Lage:

A very complicated arena.

1-00:58:46

Kennedy:

It's a very complicated arena.

1-00:58:46

Lage:

Were hospitals as potentially disastrous as a drain on the funds as they are now?

1-00:58:52

Kennedy:

Sure, and there were always financial problems. It was sort of in the early days of Medicare and the government paying for a big piece of the health care for seniors. We did have a state appropriation that was supposed to be for indigent care, and there were always great debates, on our side, whether it was adequate and, on the state's side, whether they were giving us too much money for what we were contributing. And the states have their fiscal ups and downs, as you witness in California right now. So there were good years and bad years. Again, Maryland did not have constitutional autonomy, so there was a fair amount of legislative involvement and certainly, I'd say, more direct involvement and—I'll use the term interference—in the university than there is in California.

1-00:59:56

Lage:

What would it mean practically to not have that constitutional autonomy? Were you dealing directly with Sacramento? No! Not Sacramento.

- 1-01:00:10  
Kennedy: Annapolis, in this case. We had some dealings, although most of the dealings were either through the president or the chancellor, but I went and testified before legislative committees. We developed relationships with legislative offices and with state offices because it was something that was necessary to make sure that they understood our point of view and what we were doing, and that was okay with the administration, with the chancellor and the president, that we did that as long as we kept them informed. Yes, but occasionally the legislature would try to make curricular decisions and the like and put undue influence on—I mean, I assume that happens here too. It does happen here too. But in the end, the regents could and have resisted on occasion, although the state always has the big budget cannon to fire.
- 1-01:01:03  
Lage: That's right.
- 1-01:01:05  
Kennedy: That's the give and take.
- 1-01:01:08  
Lage: That's right. Money talks.
- 1-01:01:09  
We won't go into as much depth at the School of Medicine, but talk a little about what happened there that you brought with you when you went to San Diego, what kinds of things you—
- 1-01:01:21  
Kennedy: The real, I think, benefit of those four years was the experience of really understanding the medical school. In particular, in those days, the faculty were just beginning to get organized in terms of the practice of medicine and so-called medical practice plans, because they were generating money from Medicare, professional fees, and also from private patients, and so they were organizing themselves. I was at the sort of front end of that. I had actually gotten involved early on in the Association of American Medical Colleges. They had a group of my peers who were associate deans for administration or finance for medical schools. I started attending their meetings so that I could learn more. Practice plans was a big to-do in those days, the organization of them.
- 1-01:02:25  
Lage: What is a practice plan?
- 1-01:02:26  
Kennedy: It's basically the way in which faculty physicians see patients, generate revenue, and then how that revenue is distributed.
- 1-01:02:39  
Lage: Between themselves and the university?
- 1-01:02:41  
Kennedy: In some cases, between themselves and the university; in some cases, just independent and the revenue is outside the university. In the case of Maryland, it was all within the confines of the university except for a couple of groups like ob/gyn [obstetrics/gynecology], which was somehow, just by exception, outside. When I came to San

Diego, it was all within the university, and that was quite controversial. I'll get to that later.

1-01:03:08

But I did help and organize the relationships of the faculty with the university and helped them in establishing billing offices and making sure that they were not doing inappropriate kinds of billing and the likes of it so we wouldn't have any audit problems. I worked on developing the relationships between the medical physicians and the medical school and the hospital and the business arena about things like radiology and pathology, which has both a professional component and a hospital component, so when a patient gets a bill for pathology, it's got [charges] for the pathologist to read the slides and for the hospital, which actually does the tests. So it's all very complicated and has to be negotiated and worked through. I got a lot of really good experience.

1-01:03:58

Lage:

Does it apply more broadly than schools of medicine? Did it apply later to issues of professors doing biotech?

1-01:04:05

Kennedy:

Actually, it's a different arena outside of the medical school. In engineering and other places, I don't know of many—in fact, I don't know of any similar arrangements. Most of the faculty do their consulting independent of the university. But physicians, because in most cases they're using the university's medical center or the university's primary care facilities to practice medicine and they're faculty members first and physicians second—I don't mean that in terms of the quality of what they deliver, but just they are faculty—the university has a big stake in how they practice medicine. [At the University of California it's pretty contained within the university. There are other medical schools that traditionally have had their practices out of the university. It kind of depends on the history and the evolution of the medical schools.

1-01:05:05

Lage:

Interesting. Shall we say more about Maryland, or shall we see how you got to San Diego? Any big brouhahas or problems?

1-01:13:30

Kennedy:

I think we're finished with Maryland.

[minidisc 2]

2-00:00:10

Lage:

We talked about Maryland. Anything else about Maryland before we find out how you got to San Diego?

2-00:00:15

Kennedy:

I don't think so.

2-00:00:18

Lage:

Why you came to the Left Coast. [Both chuckle.] Okay.

2-00:00:21

Kennedy:

Okay. Well, the move from Maryland to San Diego was brought about by the fact that my boss at University of Maryland, John Moxley, was recruited to UCSD to be the vice

chancellor for health sciences. This was 1973. Actually really started in '72. The medical school had just graduated its first class. It was a relatively new university, a new medical school, and I think Jack had made himself a national reputation as a young dean who had at least started the turnaround at the University of Maryland by doing some good recruiting and enhancing the quality of Maryland. He was asked to come out as a candidate at San Diego and was offered the job. He said he wouldn't take it unless it was a joint move, and so I was invited to go out and interview, which I did. And so we both were offered positions in San Diego.

2-00:01:41

Lage: Here, you'd been in Maryland all your life.

2-00:01:44

Kennedy: All my life.

2-00:01:46

Lage: What was it like to come to California? Had you visited before?

2-00:01:48

Kennedy: I had been to California a couple of times. I'd never been to San Diego before I came out to interview, but I had been to Los Angeles; I had been to San Francisco. The hardest thing was to leave my family because everybody was in Maryland: my parents; my grandparents were still around, or at least some of them were; my brother, my wife's siblings and nieces and nephews and whatever, aunts and uncles. Our whole life had been in Maryland, Baltimore and the DC suburbs. My children were ten and twelve at the time, and my son was just getting ready to go into junior high school, and this was the worst possible thing that could happen.

2-00:02:36

Lage: He felt.

2-00:02:38

Kennedy: He had gone to elementary school with the same group of friends, and they were all looking forward to going to junior high. My parents were extraordinarily upset that we were moving so far away and taking their grandchildren away from them, because at the time they only had the two grandchildren.

2-00:02:57

Lage: And it seemed further then.

2-00:02:59

Kennedy: Yes.

2-00:03:00

Lage: Air travel wasn't as common.

2-00:03:02

Kennedy: You didn't get on a plane as readily as you do today. But for me it was really a great opportunity, from a number of points of view. One, I always viewed the University of California, in terms of public education, as the best, and to move from a good school or a good system to the best system appealed to me a great deal. I was told by a number of people that in the University of California that there's great opportunities based on what

you produce, what you contribute, and that because you don't have a terminal degree, that's not likely to stand in your way. I mean, you're not going to be president and you're not going to be chancellor or an academic vice chancellor, but short of that, there are great opportunities out there.

2-00:04:00

San Diego was a wonderful place to live, and this is a new university. It was very exciting and is likely to really become something terrific in a few years. And it was an advancement for me to come out, not only as an associate dean but also as an assistant vice chancellor, for starting. And the salary was an improvement, although I didn't quite understand the cost of living in California.

2-00:04:31

Lage: Right!

2-00:04:33

Kennedy: Although I was warned. But even then, it was—

2-00:04:35

Lage: It was hard to comprehend.

2-00:04:37

Kennedy: —very expensive. So it seemed like, all things being equal, a great opportunity and a great move.

2-00:04:44

Lage: Who interviewed you?

2-00:04:47

Kennedy: I was interviewed, boy, by a whole bunch of people, by the chancellor.

2-00:04:52

Lage: Chancellor McElroy, was it?

2-00:04:54

Kennedy: Yes, [William] “Bill” McElroy, who actually had spent a number of years in Baltimore, at [Johns] Hopkins, so we had a lot of common interests and knew some people, even, jointly. I have an uncle who was a professor of chemistry at Hopkins, and Bill knew him very well, so there was that commonality. We both liked Maryland seafood, which was another commonality. And then Paul Saltman, who was the vice chancellor for academic affairs at the time; [Bernard] “Bud” Sisco, who was the vice chancellor for administration at the time; and Herm Johnson, who was the vice chancellor for business at the time. I was interviewed by all of those individuals. Interestingly, I wasn't interviewed by anybody in the medical school.

2-00:05:35

Lage: Yes, that's interesting.

2-00:05:38

Kennedy: Well, for whatever reason, I think they were sort of—“concerned” is probably the wrong word, but feeling that they needed to give the new dean whatever he felt he needed in order to get him recruited and to get him started, and if I was part of that

equation, then it really didn't matter what people in the medical school thought; I was going to be working for the dean, and so that was that. Although I did talk to the fellow who was the current dean, but that was more of a social interaction. Moxley and I went out to his house. This was Cliff Grobstein, who was the dean at the time, and we met over a glass of wine with Cliff for about an hour or two.

2-00:06:28

Lage: Was he retiring?

2-00:06:30

Kennedy: No, he was just stepping down. He was a Ph.D. He was not an M.D. I think he did a commendable job of being a dean, but I think there was a view that the medical school was moving into more and more clinical activity. They were trying to recruit clinical faculty and bolster the clinical departments and so forth. And while the basic sciences were still extraordinarily important, they had to have someone who understood the medical side and had the experience of the medical side. I'm guessing, but I'm pretty sure that's the reason. And I don't think there was any animosity on Grobstein's part at all. I think he was actually pleased to see Jack come.

2-00:07:19

Lage: Do deans of medical schools kind of have a limited tenure, like, often deans of—

2-00:07:24

Kennedy: There are reviews, usually five years. I mean, at least in California deans are reviewed after five years and either reappointed or not. Some deans stay around for a long time.

2-00:07:39

Lage: But some want to go back into their faculty work.

2-00:07:43

Kennedy: Yes, yes. I'm trying to think how many deans there were in San Diego when we went out there. I think Grobstein was the second dean. I think [Joseph] Joe Stokes was the first and Grobstein was the second, and maybe Moxley was the third. And then there have been a whole bunch since then.

2-00:08:02

Lage: Were there things that the campus wanted to see happen with the medical school, or did they just sort of turn it over to John Moxley?

2-00:08:15

Kennedy: I really think they wanted to continue to have the good, excellent basic science that was the hallmark of UCSD, both general campus and medical school, but felt that it was necessary to really bolster the clinical programs and to have more quality in the clinical programs, and the school was evolving. It had just graduated its first class, but residency programs were beginning to really take off. We were moving from a part-time faculty, using a lot of community physicians as part-time faculty members, into a full-time faculty, which was a transition that established medical schools made back in the fifties and sixties. San Diego had to make it in the seventies because it had just started. It took its first class in 1968.

2-00:09:06

Lage: So you were in on the ground floor, virtually.

2-00:09:12

Kennedy:

It was virtually a brand-new medical school, so I think they were really looking for someone to take it to the next level, so to speak, and felt Jack was the person to do that. And so we arrived July 1, 1973. The individual that was in the position that I was going to take over—actually, he was the associate dean for administration—was a Ph.D. faculty member by the name of Allen Lein, who I think, if I'm real honest, resented very much in a sense being eased out to make room for this guy who didn't have a Ph.D. and who was now going to be the associate dean. Interestingly enough, over time Alan and I became very good friends and remained good friends until he died just about six months ago at the age of eighty-nine. But he later told me on a number of occasions that I was the right person for the job and he was the wrong person because he really didn't have the administrative skills to manage the kinds of things that I had to manage. But, yeah, he did resent sort of getting eased out. But he went back to the faculty and taught and wrote books and actually stayed active well into his seventies.

2-00:10:36

Lage:

Did the things he was good at doing.

2-00:10:39

Kennedy:

Yes, yes, for sure. So there we were in San Diego, a very different environment than Baltimore and the University of Maryland Medical School, which was established way back in the 1800s sometime, 1807.

2-00:10:53

Lage:

And you weren't near the inner city at all.

2-00:10:57

Kennedy:

Not near the inner city, out in La Jolla, although our medical center, which we at the time leased from the county, was the county hospital, so there was a lot of indigent care—in fact, mostly indigent care at the medical center. And we had no regular clinical facilities on campus, and so there was this ten-mile distance that one had to travel on the freeway to get from the medical school down to the medical center. We did have a Veterans Administration [VA] hospital on the campus, which was built in the sixties and I think opened in the early seventies, so all the VA faculty had joint appointments. The VA physicians had joint appointments, and we had residents at the VA hospital, and that continues today. But the main teaching hospital was on the fringes of downtown, in Hillcrest.

2-00:11:46

That was a big issue because there were plans for a campus hospital, and I think in the early seventies everyone believed that it was just a matter of time before the university built a hospital in La Jolla. As a matter of fact, that hospital didn't open until 1994, and that's another issue that we could spend days talking about. But in any event, the faculty in a sense commuted.

2-00:12:22

Lage:

That doesn't sound like an ideal.

2-00:12:24

Kennedy:

It was not ideal. Some of their activities were in La Jolla, and some of their activities were downtown. I can remember driving many, many times back and forth between the two facilities.

2-00:12:35

Lage:

So you had a commute of sorts.

2-00:12:38

Kennedy:

Had a commute of sorts. San Diego was less crowded in those days, so the freeway—it wasn't bad. It was a fifteen-minute or twenty-minute [drive], but you had to park and so forth. Interestingly enough, the confusion about who the hospital reported to was also an issue in San Diego because prior to our tenure there, the medical center director reported to the chancellor, Bill McElroy. The director at the time was a fellow by the name of Sheldon King, who came from New York and was a very good and very tough hospital director, I think. But when Moxley was interviewing, one of his big issues was the fact that if he was going to be the vice chancellor for health sciences, then all of health sciences needed to report to him, including the medical center. Now, I heard this through Jack Moxley; I never heard Bill McElroy's side of the story, but according to Moxley, he was told by McElroy that that's the way it was going to be and that he would address this issue shortly after Moxley arrived in town. Well, McElroy was chancellor almost during the entire tenure of Moxley, and that officially never happened.

2-00:14:09

Lage:

He never got put in charge.

2-00:14:09

Kennedy:

Never got put in charge of the medical center. It was always an issue of contention. When the medical center got into difficulty, people looked to the vice chancellor for health sciences.

2-00:14:10

Lage:

As the responsible party.

2-00:14:11

Kennedy:

As the responsible party. When things were going well, the chancellor I guess took all the credit. Naturally, the medical center director would prefer to report to the chancellor just because of the pecking order, and gave him more independence than having him report to the dean and vice chancellor of health sciences. On the other hand, the vice chancellor and dean felt very strongly that this was the place where his medical students were trained, his residents were trained, a lot of clinical research was done, his faculty practiced, that he had to have a hand in running the place. So there was an accommodation that occurred in terms of lots of meetings and joint decision making and so forth, but it was never a real clean situation, where the dean could say, "We're going to do it this way" and the hospital director would have to adhere to that.

2-00:15:01

Lage:

Since you were in the administrative line, I would think you would have an interest—

2-00:15:04

Kennedy:

We had the same kind of issues. There was a director of finance at the medical center with whom I became friends, and he was very competent, but he ran the finances of the

medical center, although I served on committees and had some sort of input into decisions, and I ran the finances and administration of the medical school and the research programs and the faculty practice plans and so forth. Even had to negotiate with the hospital on an annual basis for the way in which, in those days, you divide up professional fees like pathology and radiology, between what the faculty got and what the medical center got. Sometimes we would come to impasse.

2-00:16:17

Lage: And would you be representing the faculty side?

2-00:16:19

Kennedy: I would be representing the faculty in those discussions.

2-00:16:13

Lage: Interesting.

2-00:16:15

Kennedy: With the faculty sitting there with me, but I was representing the medical school, which had a real stake in those professional fees coming into the medical school as opposed to going into the medical center. And on occasion we'd reach impasse, and then the chancellor would have to referee.

2-00:16:30

Lage: Would the money then come into the medical school, not into the pockets of the individual faculty?

2-00:16:35

Kennedy: Actually both. There was the development of a practice plan, in which all of the faculty who were practicing physicians, by policy, had to belong to, and so all of those fees, whether they were a surgeon, a pathologist, an anesthesiologist, a radiologist, an internist, whatever—all of their professional fees came into a central fund. There was a plan for the distribution of those resources with first call to pay the overhead of the plan, and then the second was to pay the salaries of the faculty, and then some of the money went for incentives to the faculty, so if you generated more, you got some incentive income. And then some of it went to the school at large, in a sense to the dean, for flexible dollars to develop the school, and some of it went to the departments as flexible dollars.

2-00:17:45

And it was a big issue because there were substantial sums of money generated, and some departments generated a lot more than others. The surgery department generated very large sums of money; the pediatrics department generated very small sums of money. Some departments never made enough to cover all their expenses, and others made a lot more than their expenses, and some of that money went to support some of their brethren who weren't quite as successful.

2-00:18:18

Lage: So some got redistributed because of the nature of the income-producing streams.

2-00:18:23

Kennedy: Exactly. And I spent a lot of my time in dealing with the practice plan. That was a big issue for me.

2-00:18:31

Lage:

It's probably something that's totally hidden from public view. I mean, people don't think of that.

2-00:18:35

Kennedy:

Right. And I ran—I mean, I was the manager of the plan. I hired a CPA to be the day-to-day manager, and we had responsibility for a lot of the billing and collection of the fees and dealing with Medicare and MediCal and making sure the money got accounted for appropriately and so forth and so on. There was a lot of contention.

2-00:19:02

Lage:

Did you do all this just as a campus?

2-00:19:07

Kennedy:

Yes.

2-00:19:08

Lage:

Or did you relate to the system on these?

2-00:19:10

Kennedy:

No, the practice plans of the medical schools were all operated independently.

2-00:19:15

Lage:

There were no guidelines about how to—

2-00:19:17

Kennedy:

Well, yeah, there were guidelines. And, good Lord, I served on untold committees and took years writing practice plan overall University of California guidelines and even continued to do that after I became senior vice president, but those plans were developed in order to have a framework. In a sense, part of this occurred because of, I'll say again, legislative interference. We talked about that earlier. There was some unhappiness on the part of certain legislators about the way in which monies were coming in and being distributed, and I can remember hearings that were held. There was one in San Diego that I actually testified at—about the treatment of professional fees coming into the university. The legislature felt that all of the medical schools should operate under the same guidelines, and so there was an incentive for the system to have general guidelines. We wrote those so that hopefully most of the idiosyncrasies of the individual practice plans could be accommodated, and I think we were able to do that and still demonstrate a consistency across the system.

2-00:20:28

Lage:

Because apparently at the local level, people felt there had to be these idiosyncrasies.

2-00:20:35

Kennedy:

Yes. Many things are there because that's the way they started historically or because of local competition or conditions or the relationship with your medical center or whatever, or what you promised the faculty when you recruited them, and suddenly you're going to—it's not very easy to change it. You have to do that by discussion and negotiation and what have you. But I think we were able to accommodate most of the medical schools' desires under an umbrella plan.

2-00:21:10

Lage: You started there as assistant—

2-00:21:13

Kennedy: Assistant vice chancellor and associate dean, and then later I was associate vice chancellor and associate dean.

2-00:21:18

Lage: I see.

2-00:21:21

Kennedy: They're all kind of subtle. I don't know what the difference means.

2-00:21:23

Lage: Why were there those two titles?

2-00:21:31

Kennedy: In the seventies, there was a movement across the country at universities to create vice presidents and vice chancellors for health sciences, and I think the rationale was that there needed to be an individual who had the overall responsibility for medical things: medical centers, medical schools, dental schools, nursing schools. And so most of the major universities in the country went to that system. It sort of worked and it sort of didn't. The reason that it never worked as well as people anticipated is because the medical schools were always the 800-pound gorilla. They had the largest number of faculty, they had all the money, they ran the medical or they at least had a hand in running the medical centers, they did most of the research, and so they were kind of the big ticket. The dental schools and the nursing schools and the pharmacy schools were kind of getting pushed off to the side. The vice chancellor was supposed to sort of level all of that.

2-00:22:42

Well, it never quite worked that way. And the dean of the medical school, if he were someone different than the vice chancellor—because in some schools you had a vice chancellor and you had a dean; the dean was still very powerful and still driving a lot of decisions.

2-00:22:55

Lage: But at San Diego they—

2-00:22:57

Kennedy: In San Diego we only had a medical school. But if you were a dean, you didn't want to just be called a dean because all of your colleagues around the country were vice chancellors, and so another part of Moxley's recruiting package was "I'm going to be a vice chancellor; it's got to be a vice chancellorship, and I've got to have responsibility for the medical center." Well, he got the vice chancellorship and never got the medical center, formally anyway. And so if he was going to be a vice chancellor, then I had to be an assistant or an associate vice chancellor. [Both chuckle.] It's all part of the politics.

2-00:23:32

Lage: So as you moved up from assistant to associate, it wasn't new responsibilities.

- 2-00:23:37  
Kennedy: No, it was—
- 2-00:23:39  
Lage: You didn't replace an existing associate.
- 2-00:23:39  
Kennedy: It was just a title change, and I don't even remember the circumstances, why it happened. I can probably find out, but it's not important.
- 2-00:23:49  
Lage: Okay. Now, what else occupied your time?
- 2-00:23:54  
Kennedy: I would describe my role in the medical school as the chief operating officer. I mean, I basically ran the place on a day-to-day basis. We worried about all the relationships with the academic departments, particularly the business aspects of the departments. Each department had a departmental business manager. Although they didn't report directly to me, I had sort of cognizance over what they were doing, and I think I had a good relationship with them, met with them on a regular basis. I worried about the medical school facilities in terms of—I mean, we only really had one academic facility when we went out there. That was the basic science building and a library and a dean's office, and that was it. We were growing. We needed to get more facilities under way, and we did.
- 2-00:24:49  
I worried about a lot of the support services. We had an Office of Learning Resources, which supported the teaching program—you know, got the cadavers for the gross anatomy lab.
- 2-00:25:00  
Lage: So this was one of your responsibilities.
- 2-00:25:02  
Kennedy: And did all the audio-visual in the lecture halls. Later on while I was there, we set up a TV circuit between the medical school and the medical center so you could televise grand rounds and things. The veterinarian who ran our animal facilities reported to me, so we worried about—
- 2-00:25:24  
Lage: Like, animal testing?
- 2-00:25:26  
Kennedy: Animal testing. I ran the human subjects committee, which I had done at Maryland and continued to do that in San Diego. My job was to make sure that all of the human subject protocols were good and there was informed consent. We had a faculty committee that I—I didn't chair it, but I managed it and had to—
- 2-00:25:46  
Lage: So that was separate from the campuses.

- 2-00:25:48  
Kennedy: No, in those days the medical school ran the human subjects for the whole campus.
- 2-00:25:54  
Lage: Oh, for the whole campus. I see.
- 2-00:25:57  
Kennedy: We started off with one committee, and then we broke it into two. We had a medical school committee and a social and behavioral sciences committee. I had responsibility for both, but we had different chairs and different committee members. I did that, gee, my entire eight years in the medical school there, and then the first two years I was vice chancellor, I continued to run the human subjects committee.
- 2-00:26:22  
I even reviewed all of the academic personnel actions for the dean. [Clock begins to chime.] I still didn't quite figure out quite how that happened, but my predecessor had done that. Of course, he was a faculty member. And when I went out, I inherited the office and the woman who ran it. Her responsibility was to get all this material in from the departments for appointments or promotions, and review it and make sure it was all in good order, and then it would get submitted to me to review, and then I would decide which ones had to go in to the dean. And if it was a promotion to tenure, of course they all went in to the dean, without question. But if it was a promotion from associate to full and there weren't any controversies and the ad hoc committee had unanimously approved it and so forth, it was just put in for the dean to sign without any special treatment.
- 2-00:27:21  
Lage: You weren't stepping on the toes of the faculty, it doesn't sound like.
- 2-00:27:23  
Kennedy: No, and for whatever reason, the chairs didn't seem to mind. We ran an efficient process. We were helpful. We weren't standing in their way, and I also sort of interfaced with the campus academic affairs, Paul Saltman's office, because it had to go there next, and so I had a very good relationship with the woman that ran the office for Paul. We kind of worked together. We had our differences, but we kind of worked together to make sure things flowed smoothly. And as you know, in the University of California, academic personnel, the Committees on Academic Personnel are a big to-do.
- 2-00:27:59  
Lage: Yes.
- 2-00:28:01  
Kennedy: And they're controversial and there are issues.
- 2-00:28:02  
Lage: And they don't always flow smoothly.
- 2-00:28:06  
Kennedy: And the faculty always want to be involved, and there are always differences of opinion, particularly between medical schools and general campuses.

2-00:28:16

Lage:

Now, did you have to deal with that kind of thing?

2-00:28:19

Kennedy:

I didn't deal with the general campus Committee on Academic Personnel (CAP), I just dealt with the files on their way to the Academic Affairs Office, where they were reviewed again, and then from there, they went to the campus CAP committee, where they were deliberated and agreed or not agreed on. They always emphasized research, and we tried to emphasize other aspects of a faculty member's career, like clinical activity and clinical research, which a lot of the general campus faculty didn't think was real research. [Chuckles.]

2-00:28:54

Lage:

But if you're trying to run a medical school—

2-00:28:55

Kennedy:

Right. And that controversy goes on, I'm sure, today.

2-00:28:58

Lage:

Yes. Oh, I'm sure. But did you have to actually deal with some of these issues? If you got turned down by the campus committee, would the dean—

2-00:29:03

Kennedy:

Usually the dean would then personally get involved and try to appeal or garner additional evidence or whatever, but we helped to the extent that they needed our assistance in doing it.

2-00:29:20

Lage:

Now, I'm told you were really good at facilities building programs. Is this—

2-00:29:26

Kennedy:

Yes, I think so.

2-00:29:30

Lage:

What happened in that area?

2-00:29:34

Kennedy:

I did facilities at Maryland. I mentioned the cyclotron early on in my career and in Baltimore at the medical center, I got a number of new facilities under way. Actually, they weren't completed during my tenure; they were completed after I left, but I got two major research buildings under way in Baltimore that I had responsibility for, working with the faculty to do the program for and then working with the architects and engineers.

2-00:29:58

When I got to San Diego, as I mentioned earlier, we basically had the basic science building and a biomedical library, and that was it, and we were growing. Medical class size was increasing, the number of faculty were increasing, the research program was growing, and there were some federal programs in those days for funding medical education facilities because the country was trying to get medical schools to expand because we thought we needed more doctors.

2-00:30:29

One of the individuals that I inherited when I became associate dean was a woman by the name of Ruth Covell, who was an M.D. She's still there, as a matter of fact. I just saw her the other day. Ruth is still there and active. I inherited Ruth. We started out, you might say, with a bit of an adverse relationship in that she wasn't quite sure that she ought to be reporting to this young guy with a bachelor's degree.

2-00:31:15

Lage:

And she was an M.D.

2-00:31:17

Kennedy:

And she was an M.D. But after a short period of time, I think we got along just fine. But working with Ruth—we put proposals together to what used to be Health and Welfare—

2-00:31:31

Lage:

HEW.

2-00:31:34

Kennedy:

HEW, [U.S. Department of] Health, Education and Welfare, for research facilities. Had a site visit, and actually they funded the building with a match from the state. There was money from I guess the health sciences bond issue. Interestingly enough, though, the site team approved the grant but made a very strong recommendation that we build two buildings, not one. We had a proposal to build a building on the La Jolla campus, next to the basic science building, and their recommendation was that we build two buildings: one on the campus and one down close to the medical center. So those faculty members who were clinicians and also doing basic research could have their labs adjacent to the medical center and wouldn't have to do all that commuting.

2-00:32:26

Lage:

And the review team came up with that.

2-00:32:29

Kennedy:

Yes, and the grant—well, we got back the review, and Health, Education and Welfare said: Well, we're pleased to fund this, but you guys are going to have to build two buildings. And so we did.

2-00:32:44

Lage:

And did they fund it double?

2-00:32:47

Kennedy:

No. I can't remember the numbers anymore, but I think they gave us something like \$12 million, which in those days was a lot of money, and I think the two projects together were, like, \$20 million, and we got the state to put up the rest of the money, and we built two buildings. We worked on the programs and designed and constructed the two medical buildings.

2-00:33:13

Lage:

This must be complicated, to design, to get people--

2-00:33:17

Kennedy:

Working with faculty is complicated because every faculty member wants to custom-design his own or her own laboratory, and that's a very expensive proposition. One of the things that I learned to do was to work with the faculty and come up with generic laboratories that had flexibility, as opposed to custom-built laboratories. Some of the kind of crazy issues you got into is every faculty member wanted to have an outlet for distilled water in the laboratory. Well, that's very expensive. Think of all the plumbing you have to do when you could easily have one outlet on each floor. You could take a cart and go get distilled water. Unless you have to have continuous distilled water, why would you want to—for convenience, yes, but—and so we convinced them that that was unnecessary.

2-00:34:14

But we came up with generic laboratory equipment that you could select from a palette of different configurations, like going to Home Depot and getting cabinets. You know, you can get a cabinet that's two feet wide or one foot wide, and they all kind of fit together. We found some cabinet manufacturers that did that.

2-00:34:33

Lage:

Now, were you working with architects on one side—

2-00:34:38

Kennedy:

Yes.

2-00:34:39

Lage:

—and the faculty on the other?

2-00:34:41

Kennedy:

Right.

2-00:34:42

Lage:

And you were kind of the go-between?

2-00:34:44

Kennedy:

Right, yes. The way in which you design a building in the University of California system, or at least in San Diego, is you have a building advisory committee, which is made up largely of the users, faculty who are going to be occupying the building. You work with them first to write a program, to describe the building in written words, and then later, when you hire an architect, to translate that into drawings. And you have to make sure that you meet all their requirements: fume hoods and electrical and everything they need to do their research in the most efficient way possible so you don't end up building a building that costs twice as much as it needs to.

2-00:35:19

And so the role that I played, and Ruth also, was to sort of be the translator between the faculty and the architect. The architect on this particular, or at least the campus building, is a fellow by the name of [Robert] "Bob" Moser, who I've also become very good friends with over the years. He really liked working with me because he felt that he could come to me and explain his point of view and then it was up to me to translate it to the faculty. Other work he had done for the university, he kind of got thrown at the faculty.

2-00:35:51

Lage: So he would meet with this group.

2-00:35:53

Kennedy: And he was just the architect; he wasn't in the decision-making role. The faculty could really run roughshod over him, so he really liked working with me. We had some difficult decisions to make.

2-00:36:06

The other thing you need to do is to have the faculty give you their input, and you need to have them participate, but once the drawings are completed and you're ready to go out to bid, you have to freeze the project. You cannot have the faculty coming in and say, "I want that sink over there instead of here," because that's how contractors make money, through change orders. And so unless there's a design flaw or something that's really dramatic, you have to really hang tough.

2-00:36:31

Lage: How did you do with your faculty relationships? It sounds very delicate. [Carillon concert ends.]

2-00:36:36

Kennedy: I think I did fine. I'm not saying I made everybody happy every day, but I think the important thing—look, faculty are very intelligent people, and if you have a good reason for doing what you're doing, you can rationalize with the faculty. They may not like it, but if you can sit and explain to them that "I'm doing this for these reasons; it's not just an arbitrary, bureaucratic administrator sitting here yanking the faculty's chain. I have good reason for making this decision," and generally the faculty will go along with it.

2-00:37:07

Lage: So part of it is being open.

2-00:37:09

Kennedy: Part of it is being open. A lot of the mistakes I think administrators make with faculties, they just say no. You can't do that and not tell them why. Or, better, give them an alternative. "You can't do that, but, boy, we can do this, and we think this'll solve your problem just as well." And in many cases the faculty member had thought about that, so that's fine. As long as I get what I want, I don't care whether it's A or B, just so it happens. I think it's looking at one's role as being there to serve the faculty, not being there to prevent the faculty from getting their job [done]. To help the faculty get their jobs done, that was my role. And I take that all the way back to my first job in the physics department. As a young kid, I was there to help the faculty. That's what I did for a living.

2-00:37:58

Lage: So you see your role that way. I mean, the way you see your role affects how you handle all these things.

2-00:38:05

Kennedy: Right. And I think also in the University of California, it's such a wonderful organization, and you can almost do anything in the university that's legal and moral by

following the rules or, if you don't like the rules or if the rules can't adapt, then by working with the university to change the rules. I mean, it really is—

2-00:38:28

Lage:

Do you think there's enough ability to change?

2-00:38:32

Kennedy:

Sometimes it's difficult and sometimes it's a long haul, but it can be done, and many universities are not that flexible. And I think because we have a lot of campus autonomy, the campuses many times can do things on their own that are still within the confines of university systemwide guidelines. You got to watch them, but—

2-00:38:55

Lage:

[Laughs.] After the design element, were you also responsible for overseeing the building and bringing it in under budget?

2-00:39:01

Kennedy:

The construction of the building was handed off to a central campus design and construction office, but yes, you continued to be involved because the success of the project was important to the medical school and so I periodically—well, we continued to have meetings with the contractor and the architect and the local university design and construction folks, and to deal with issues, change orders, for example; review the budgets and make sure things were on time, on schedule, on budget kinds of things. So yes, you stayed involved throughout the process. And then ordering the equipment because there were equipment budgets. You had to deal with the faculty in terms of ordering their centrifuges and whatever equipment they needed.

2-00:39:49

Lage:

A lot of hands-on detail.

2-00:39:51

Kennedy:

Yes. But it was fun. It was great fun.

2-00:39:56

Lage:

Did you take care of these details or would you delegate it to people?

2-00:39:58

Kennedy:

Some I did. A lot of the details Ruth Covell and people that worked for her did in terms of ordering the equipment and so forth, but allocating the funds, I would get involved in, and in dealing with some of the departments that were going to be in the building, I would get involved in. The medical school at least in those days had a relatively small number of departments. We only had ten departments in those days. There were regular meetings between the dean and the chairmen of the departments. I was always in those meetings, and issues were discussed and debated and decisions were made, and there was a lot of give and take as a result of that. It was hard work. I worked a lot of hours.

2-00:40:43

Lage:

I was just going to ask you. What kind of hours were you working?

2-00:40:47

Kennedy:

Medical schools are different than from campuses in that physicians get up early, particularly surgeons, so it was not unusual to have six-thirty A.M. meetings downtown

at the medical center, particularly with surgeons because they probably start operating at seven or seven-thirty. And it was not unusual to have meetings at the end of the day, either on the campus or down at the medical center. So, you know, twelve-hour days were kind of the norm. And because I lived close to the campus, it was not unusual for me to go home and have dinner and go back in the evening sometimes.

2-00:41:20

Lage:

How did your wife and family hold up? Did you have two children?

2-00:41:23

Kennedy:

Two, yes. I have a wonderful wife. She's been very tolerant over the years. We accommodated to it. But I spent as much time as I could with my children. One of the things we thought was important from the get-go was for my wife to stay home and be a full-time mother until the kids were at least into high school, junior high, and so she stayed home, and I worked. Today that's not always possible because of the economics. She was there. She was the one who really, I think, put my kids on the straight and narrow. I think I had some influence, but I give most of the credit to my wife. But, you know, on weekends and when my son was engaged in sports as a young kid, football or baseball, I might sneak out at two in the afternoon or three in the afternoon and go to a ballgame and then go back to work. And when he was in high school, played high school football, I never missed a single game. We always found some time to take the kids on a vacation every year and to do things that they were interested in. So it was a good situation.

2-00:42:38

Lage:

It worked. Did your kids go to La Jolla High?

2-00:42:39

Kennedy:

Yes, both of them, yes. And I think got [a] pretty good education at La Jolla High, yes. My son played football there. He was an all-county defensive back.

2-00:42:51

Lage:

Oh, really!

2-00:42:53

Kennedy:

For La Jolla High, yes.

2-00:42:55

Lage:

And then where did he go to college?

2-00:42:57

Kennedy:

Colorado State.

2-00:42:59

Lage:

Did he play football there?

2-00:43:01

Kennedy:

He played football at Colorado State, yes.

2-00:43:03

Lage:

What I was told by one of your colleagues at the medical school [is that] you developed a national reputation for a successful facilities building program. Is that something you would—

2-00:43:21

Kennedy:

Yes. It's kind of interesting. In one regard, people around the country looked to the University of California for help and believed the University of California is creative and innovative, and sometimes I think that's misplaced, but it's true. They think we know how to do it as good or better than most. And I was very active in the Association of American Medical Colleges, a group on business affairs that they had, and I was their chairman for a year and participated. The purpose of a lot of those meetings and workshops that we put on was to help people with various aspects of running medical schools: practice plans, facilities, animal facilities. We developed a reputation for building buildings, getting things done on time, on budget, and satisfying the needs of our faculty, and so people would call and people would want to come out and talk about how we did it, what process we used. I don't take the credit. I think it was the nature of the university and sort of the contribution of everyone who participated in that process. It was a good process.

2-00:44:47

Lage:

Yes, it sounds very good.

2-00:44:50

Kennedy:

And it worked.

2-00:44:52

Lage:

And you were doing a lot of this building during the Jerry Brown governorship, which I recall as being kind of a stringent one.

2-00:45:01

Kennedy:

The two facilities that we built, as I mentioned earlier, were funded by the old health sciences bond issue and by federal dollars. The money was there, and it was allocated for that purpose, so that wasn't an issue. There was a second bond issue that failed, a health sciences bond issue, and that was where people always felt that we would get a hospital on the campus and additional facilities as a result, but we didn't, and there was a long time before there were any additional facilities available for the medical school in San Diego. We also built a small biomedical library down at the medical center with money that came from the health sciences bond issue, but it was a \$300[,000] or \$400,000 project. It was not a big to-do.

2-00:45:57

But we did launch an effort, while I was still in the medical school, to raise private money to build a cancer center. Actually it was the first major capital fund drive at UCSD in its history. They had only raised minor amounts of money and hadn't raised any money for facilities. We started a cancer program, and there was a director appointed, a fellow by the name of John Mendelsohn, who is now the president of the M. D. Anderson Hospital in Houston. The dean convinced the chancellor, McElroy, that we had to put some effort into fundraising, and so the campus actually hired the first full-time fundraiser, a fellow by the name of Ray Ramseyer, who came from a small private institution in Kentucky, the name of which I'm blocking out on but was very

famous for raising private money. And I'll probably think of it later. But Ray came, basically one individual, to start the development program at San Diego.

2-00:47:10

Lage: And would that have been the mid-seventies?

2-00:47:13

Kennedy: That was about maybe '76, '77, '78, somewhere in there.

2-00:47:19

Lage: It is quite amazing how much the campus has put into development now.

2-00:47:25

Kennedy: San Diego is raising a billion [\$1 billion] in their current campaign.

2-00:47:30

Lage: Yes.

2-00:47:32

Kennedy: We got started on that, and actually it wasn't completed until just about the time I left the medical school. Towards the end of my tenure, when [Richard] Atkinson became chancellor, he was concerned because the fund drive just wasn't getting done. We had some of the money. We had a major gift from the Gildred Foundation, but we didn't have enough to build the building. The dean had left to take a sabbatical back in Washington. We had an acting dean.

2-00:48:09

And shortly after Dick became chancellor—and I don't remember the circumstances anymore, but I was in a conversation with him, and he said something about the cancer center, and I said, "Well, you know, somebody's got to take the leadership here, and somebody's got to really drive this thing." And he said, "Well, why don't you do it?" And I said, "Well, okay, but you've got to tell everybody that it's now my responsibility." And so he did. Told Ray Ramseyer, the development officer, John Mendelsohn, the director of the cancer center, the acting dean of the medical school that he was appointing me as the person that was going to take responsibility for getting this thing done. I got all these people together in a room and, again in a sort of bold way, kind of read them the riot act. We had to get moving. And we did.

2-00:48:54

Lage: You thought it was just sort of inertia?

2-00:48:57

Kennedy: Just people had lost their enthusiasm. The idea was to get everybody sort of riled up again, and we did. We finished it.

2-00:49:06

Lage: Yes. And then did you do fund raising yourself, or you just energized the team?

2-00:49:10

Kennedy: Oh, I think I just energized it. Fundraising is for professional fundraisers and chancellors and people at the top. You can facilitate it, but—I've done a little bit of it in

my time, but people want to have access to the chancellor or the dean or whoever is the major programmatic leader in the facility, not administrative folks.

2-00:49:43

Lage:

Another thing that one of your colleagues mentioned to me was relations with Chancellor McElroy, a conflict and lack of confidence.

2-00:49:50

Kennedy:

Yes. I mean, I think McElroy, during his eight-year tenure, was a very good chancellor, and I think Bill recruited some very good people to San Diego. I think he developed the beginning of good town-gown relationships, which were sort of difficult because of the sixties and Angela Davis and San Diego a very conservative town, and we had demonstrations and [Herbert] Marcuse and all the things you can read about in the various accounts of that. I think Bill came in, and he was a very outgoing individual, full of energy, a little rough on the edges perhaps, but people could relate to him. But he was controversial. Internally, I think towards the end of his tenure, there were some controversies with the faculty, and as I'm sure everyone knows, in the end there was a vote of no confidence in Bill by the Academic Senate.

2-00:51:06

The medical school was a big supporter of Bill, and Dean Moxley was a big supporter of Bill because Bill really did understand the medical school and medical research and really wanted the medical school to achieve. One of the great strengths of the San Diego Medical School in its beginnings was that it came out of a plan that had the basic sciences being taught by the general campus, and a lot of integration of the basic science departments with the medical school. It's called the Bonner Plan. [David Bahlon] Bonner was a biologist. We had a certain allocation of FTEs that were provided to the general campus in biology and chemistry and the like. There was this interaction, but that also brought issues and contention.

2-00:52:07

I remember one year I spent a whole summer serving on a committee to review the Bonner Plan because the general campus folks were kind of unhappy. There were issues of people who were Ph.D.s who were appointed in the medical school department, like an anatomist who—anatomy was a division of surgery. Still is, I think. Ph.D.s in the medical school were eleven-month appointments. If you were a Ph.D. in the biology department with an FTE provided by the medical school, it was a nine-month appointment. You had to go out and hustle for your summer salary with a contract or a grant. Medical school faculty, particularly clinical faculty, were paid more than their Ph.D. counterparts. There were all these issues—

2-00:52:55

Lage:

A lot of opportunity for conflict.

2-00:52:57

Kennedy:

Sort of storming around. But also there were great benefits in terms of the basic science foundation of the UCSD medical school. I mean, it got such a marvelous start, and it's a very good medical school. Still a relatively young medical school, but a very good medical school, and gets great kudos for its basic science.

2-00:53:22

Lage:

Is the Bonner Plan still in effect?

2-00:53:25

Kennedy:

Well, it is in a way, but it's not as pure as it was back when it started in the sixties and in the seventies, and now there's a School of Pharmacy, so there's a lot of interaction in the pharmacological world by the new pharmacy school. It's gotten kind of different, but there's still a lot of interaction between the biology department, biochemistry, chemistry and the medical school. But a lot of the old war-horses are retired or underground, as they say.

2-00:54:13

Lage:

So what was the problem with Bill McElroy?

2-00:54:15

Kennedy:

I think Bill was a tough individual, and he made decisions that were not always popular. He sometimes did not spend perhaps as much time as maybe he should have in working with the senior faculty. There were a cadre of faculty that had been there since the beginning of the university, who were not very active on a day-to-day basis in campus politics, but when something happened that they didn't like, as on any campus, they came out of the woodwork and were a very powerful force, working through the Academic Senate or committees of the senate or rallying the current leadership of the senate or whatever to push their point of view.

2-00:55:04

Bill and Paul Saltman I think squared off on a number of issues. Paul was a very outspoken individual, somebody that I got along with fine. Very few people I don't get along with. I mean, I got along with Paul okay, and had a fair amount of interaction with him. But he and Bill would butt heads. And Bud Sisco, who was the vice chancellor for administration and came with McElroy from the National Science Foundation. Bud had not had any academic experience when he came out. He had come from NASA and the NSF. In all due respect—Bud was a very bright guy and, again, somebody that I got along with fine—I don't think he always recognized the faculty's prerogatives and the issues and the issue of shared governance in the University of California, and so he and Paul would square off a lot. Sometimes when I'd sit in the chancellor's council meetings, when the dean was out of town and I would sit in there, and when we had our acting dean, both of us went to Bill's council meetings—I mean, those guys could really go at it.

2-00:56:21

Then I think the straw that finally got Bill was his decision to appoint a vice chancellor for research, which is something the faculty decided they didn't want. Paul was very unhappy about it because research and graduate studies was part of his portfolio. He was the vice chancellor for academic affairs. And there was a graduate dean for graduate studies and research. And Bill decided one day that he was going to appoint this individual as a vice chancellor and have him report directly to the chancellor.

2-00:57:00

Lage:

And this would carve off the whole section.

- 2-00:57:05  
Kennedy: I think this was the straw that really forced the issue. I mean, I wasn't on the inside of that because that was an academic matter, but I did attend a medical school faculty meeting in which all of this was discussed.
- 2-00:57:18  
Lage: And how did the medical school feel about that?
- 2-00:57:20  
Kennedy: Oh, I think the medical school in the main was very supportive of McElroy, as was Moxley. Moxley was very supportive of McElroy. But in the end, the vote of no confidence occurred, and who knows what transpired between McElroy and David Saxon, who was then the president, but Bill did resign, as did Saltman and Sisco, so it was—
- 2-00:57:44  
Lage: Oh, the whole crew.
- 2-00:57:45  
Kennedy: The whole administration stepped down.
- 2-00:57:48  
Lage: And that's when Dick Atkinson was brought in?
- 2-00:57:50  
Kennedy: Yes, July 1, 1980.
- 2-00:57:53  
Lage: I was told—I think it was Bruce Darling—that you'd had some role in convincing the medical school faculty to support McElroy.
- 2-00:58:03  
Kennedy: I was a supporter of Bill, and when people asked me, I clearly gave my opinion, and I was asked by a lot of faculty because I've lots of friends on the faculty, still do, and I felt that Bill had been a really good chancellor and that a vote of no confidence was not the way to treat someone—
- 2-00:58:29  
Lage: That's pretty strong.
- 2-00:58:31  
Kennedy: —who had contributed a great deal. But I didn't have a vote. I mean, I understood some of the issues and I could understand why some of the faculty were upset, but I think there are perhaps better ways to deal with those issues. But that's why we have shared governance.
- 2-00:58:49  
Lage: Yes. Was it a crisis of shared governance in a sense, not understanding the roles?
- 2-00:58:56  
Kennedy: Yes, I guess in a sense it was. I think in the end enough faculty were unhappy on the general campus that they decided they had to do something about it, and I assume there were behind-the-scenes discussions. I don't know for a fact, but I just assume that there

were. And Bill made some gestures in the faculty direction. One of the lightning rods was a fellow by the name of David Ryer, who was an assistant to the chancellor. David is still around, not in the system. He left and went back to Washington. I haven't seen or heard from him for a very long time. I know he's still alive, though.

2-00:59:37

But he was kind of a lightning rod. Again, he came with Bill from the National Science Foundation. He's a very nice fellow and very smart, and I think he understood the faculty role better than Bud Sisco did, although I think, again, they were both nice people. They both, I think, did creditable work. But Ryer was kind of a lightning rod, for whatever reason, and so Bill basically dismissed David. Didn't fire him, but he took his position away from him and sent him down to the medical center, and they kind of created a position for him at the medical center, and I know David was very bitter about it. But that wasn't the real issue. The real issue was the faculty were unhappy with the chancellor. In the end, they—

2-01:00:25

Lage:

They had their say.

2-01:00:28

Kennedy:

—exercised their prerogative by taking a vote, and it was a vote of no confidence.

2-01:00:31

Lage:

When we presented Karl Pister with his oral history a couple of days ago, last week, Dick Atkinson was there, and Karl reminded him that he had been the one who was asked to explain shared governance to him when he came to the system here. [Laughter.] He wasn't given enough time, he implied.

2-01:00:54

Kennedy:

I bet. One of the really interesting things that came out of all of that, though, is that David Saxon appointed a committee to review the organization of the chancellor's office in San Diego and to not make recommendations—I believe that was the charge—but to provide options for the new chancellor coming in, and [William] “Bill” Frazer was the chairman of that committee. Bill was a professor of physics in San Diego at the time. I don't think he was chairman of the Academic Senate then, but he was a past chair of the San Diego Academic Senate. And so it was dubbed the Frazer Committee. I don't remember who the members were anymore, but one of the issues, I think, for the faculty was the belief that the vice chancellor for administration had become too powerful and had too broad a set of responsibilities. This was Bud Sisco, who basically had everything non-academic reporting to him.

2-01:02:11

As a result of that report, the first position that I held for Dick Atkinson was the director of planning and budget, which was a position that came out of the desire by this committee to abolish the vice chancellor for administration and divide those responsibilities in the two halves. Dick accepted that. At least for the initial phase of his chancellorship he did. Later I was made a vice chancellor, and as time went by, he expanded my role more and more and more.

2-01:02:50

Lage:

Did you ever get back the entire—

- 2-01:02:52  
Kennedy: Yes, at one point I did have the whole set of responsibilities reporting to me, but I was not comfortable with that. This was when Herm Johnson retired, who was the vice chancellor for business. My strong advice to Dick was for us to redefine the vice chancellor for business affairs and recruit someone. So for about a year or so, I had it all, but I chose not to reorganize it in its entirety but rather to try and to come up with a plan that made sense. We went out and then recruited a new vice chancellor, Steven [W.] Relyea, who's still there. Steve took a certain portion of it, and I kept things I liked to do. [Laughs.]
- 2-01:03:44  
Lage: Now, that's the way—
- 2-01:03:47  
Kennedy: Gave him the things I didn't like to do.
- 2-01:03:49  
Lage: —reorganization works, right?
- 2-01:03:52  
Kennedy: And Steve, while he on paper reported directly to the chancellor, the chancellor really looked to me to be the senior administrative officer on the campus and worry about sort of the whole thing. But Steve was a full vice chancellor, and he attended all the chancellor's meetings, and he and I, I think, have had and continue to have a very good relationship. I didn't act like his boss. We just had a collegial relationship.
- 2-01:04:17  
Lage: But some of that first job you had, then, was a result of previous unhappiness with a particular individual, in a way.
- 2-01:04:29  
Kennedy: Yes. Yes.
- 2-01:04:31  
Lage: Let me just think more about the medical school.
- 2-01:04:32  
Kennedy: Sure.
- 2-01:04:35  
Lage: Other things I was told to ask you about. It's unclear exactly which aspect, but was it the Asilomar Conference in '75? Were you involved with that?
- 2-01:04:44  
Kennedy: I was not involved personally in that, but it had obviously ramifications for the medical school.
- 2-01:04:49  
Lage: Were you involved in the response to it?
- 2-01:04:54  
Kennedy: Not really. That was really an academic research issue for the faculty.

- 2-01:04:59  
Lage: That was over potential hazards in recombinant DNA.
- 2-01:05:10  
Kennedy: Yes, and the outcome of that nationally was we had to build these big fancy P-3 laboratories and everything, which later on became sort of passé, but it caused a lot of issues to rise to the surface in medical schools and in biomedical research. But I wasn't personally much involved in that.
- 2-01:05:27  
Lage: Okay. Were you at all involved in the response to the Pajaro Dunes Conference? Which was later, I guess.
- 2-01:05:34  
Kennedy: Yes, everybody was, because it really set the tone the university business relationships and technology transfer and the Bayh-Dole Act. All these things were kind of flurrying around in the late seventies, early eighties, and it had a profound effect on the university.
- 2-01:05:52  
Lage: Maybe that comes under when you move--
- 2-01:05:58  
Kennedy: It really comes more after I moved up to the campus, although I was active when I was in the medical school in the technology transfer arena, and I even represented the campuses, I remember. I'd have to go back and double check this, but I think I represented the campus on the systemwide committee on university-industry relationships. I think I got a report on my bookshelf that was written in '77, '78. Al Barber, who was the vice chancellor for research at UCLA, was on that committee, and a number of other people.
- 2-01:06:27  
Lage: So this is a long-standing concern.
- 2-01:06:30  
Kennedy: Yes. So yes, I got involved in that early on, and much more when Dick became chancellor.
- 2-01:06:42  
Lage: Maybe we'll save that for later. I was also told to ask you about the Ian Kennedy incident. Is that something to talk about?
- 2-01:06:47  
Kennedy: Again, I didn't have much to do with the Ian Kennedy incident, and quite frankly, I don't remember a lot about it. I do remember it, but I don't remember a lot of the details. Again, these were academic matters that were really taken up in the academic ranks, not in the administrative ranks.
- 2-01:07:06  
Lage: Okay.

- 2-01:07:15  
Kennedy: I don't know who told you to raise that one, but...
- 2-01:05:06  
Lage: Let's pause here for a minute and see where we are.
- [minidisc 3]
- 3-00:00:04  
Lage: We're starting on Tape 3. We decided to move to your experience on the general campus of UCSD. Tell me how you happened to move over to the chancellor's office.
- 3-00:00:17  
Kennedy: As I mentioned earlier, when Dick became chancellor, he was presented with the Frazer Committee report. There were lots of options in the report, but the bottom line of that report was that their view was that the vice chancellor for administration had far too broad a set of responsibilities and that it would serve the campus better to have sort of the business and finance done by one vice chancellor and then have a director of planning and budget, who would deal with the budgetary issues, both capital and operating budgets for the university, and also do what they described as academic planning. I will describe it as supporting academic planning, in terms of the databases and so forth.
- 3-00:01:09  
And so Dick decided that he was going to do that. When he first came to the campus—and, again, both Saltman and Sisco, the two senior vice chancellors, had resigned. [Telephone rings.]
- 3-00:01:28  
Lage: There you go. I'll put this on pause. [Tape interruption.]
- 3-00:01:38  
Okay, now we're back on record.
- 3-00:01:42  
Kennedy: We're back on line, okay.
- 3-00:01:43  
Lage: After an interruption.
- 3-00:01:48  
Kennedy: I don't remember exactly where we were, but there was this reorganization and a set of responsibilities assigned to a position called director of planning and budget, and there was a search. There was a search committee. I don't even remember who the chair was anymore, but I think it was actually Murray Goodman, who was a chemist. But in any event, I applied and went through the search process.
- 3-00:02:10  
Lage: Was this a national search?

3-00:02:12

Kennedy:

I think it was. I know certainly within the system it was advertised because I know some other people who applied. I was selected by Dick to take the position. From the period July 1 of '80, when he came, until February 1 of '81, when I went into the new position, I had had a fair amount of interaction with Atkinson in two regards. One is we had an acting dean of the medical school, Marvin Dunn. He was associate dean of the medical school and then became acting, and I was associate dean of the medical school, and so we both attended the chancellor's meetings. We had started when McElroy was still chancellor, and we never asked the new chancellor whether he wanted one of us or both of us. We just kept attending, and he never said anything, so it was kind of fun for me to attend those meetings, so I did have some exposure to Dick.

3-00:03:16

And then he also had a curiosity about the medical school and the practice plan and sort of the way in which things worked down there. I can remember going to University House one Saturday and giving him a tutorial on the medical practice plan so that he would understand how it worked and the relationship between the practice plan and the medical center and the like, so I did have some exposure, and I had mentioned earlier, I had taken on this cancer center fund raising issue, so he knew me maybe better than the other candidates. I don't know why he decided to appoint me, but he did, and I was delighted to go up to the administration.

3-00:04:04

Lage:

In being interviewed for a job like that, do you give your sense of what needs to be done? Is that part of the interview process?

3-00:04:14

Kennedy:

Yes. Well, it was a committee dominated by faculty and chairs, who are obviously faculty members too, but they were really focusing in on the relationship between this new position and the departments and the faculty on the general campus in particular. I think they were also interested in my view in terms of how I would make decisions, tough decisions in terms of allocating resources and the like. I came, I think, with a reputation of getting along with the faculty. Everybody knew who I was. I had been on the campus from 1973, so I had been around for almost eight years, so I wasn't a stranger to the folks. I have no idea what the committee told the chancellor, whether they said I was number one or number three. Dick Atkinson's style is he takes input from committees and makes his own decisions. I don't know whether they gave him a rank list of candidates or whether they said I was the best or--I don't know. But he offered me the position.

3-00:05:24

Lage:

And you spoke with him.

3-00:05:29

Kennedy:

I don't remember whether I spoke with him. I think he called me into his office and said he was going to appoint me and that he still had a little bit of due diligence to do but I was the guy.

3-00:05:45

Lage:

So how did that working relationship evolve?

3-00:05:50

Kennedy:

Dick is a very smart individual and, I would say, a very focused individual. He is quite willing to delegate to people that he trusts. It was my job to take these responsibilities that he had given to me in this division of labor, if you like, and organize it and start getting the job done. He wasn't going to tell me how to do it or check in with me every day; he just wanted results.

3-00:06:26

Lage:

But what about overall goals?

3-00:06:29

Kennedy:

One of the big issues for the campus was that people didn't understand how resources were allocated. It was not a transparent system. I mean, decisions were made, and there were inputs, but decisions were made and were announced, and that was kind of it.

3-00:06:54

Lage:

What departments would get what?

3-00:06:56

Kennedy:

Right. Well, the fundamental division at San Diego—there are three units: there's the medical school, the Scripps Institute of Oceanography [SIO], and the general campus. The resources from the state come somewhat already pre-divided because the budget is driven primarily by student numbers, and so the faculty FTE positions follow the students, and the same thing in the medical school, which was still growing at that time, or at least had a little bit of growth rate left. SIO is a research unit with a small graduate program, and their state funds came from the state research budget. But there were dollars that could be moved around, and there were indirect cost monies, and there were other monies, student fee monies where there was more discretion on the part of the campus. I think people were suspicious. I'm not saying there was anything inappropriate going on; I think people just didn't understand it.

3-00:07:54

One of the strong recommendations that I made to Dick shortly after taking office was that he needed to create a budget committee that was made up of the vice chancellors but also of faculty representatives so that everybody was involved because we had nothing to hide. We were going to put all this out on the table, and we were going to make decisions and justify them. If people didn't like them, they could fuss about it, but at least they'd know why we made certain decisions.

3-00:08:21

The only real debate that Dick and I had was who was going to chair this committee. He thought I should chair it, and I told him it wouldn't work unless the chancellor chaired it. He felt that he didn't want to spend his time in endless meetings, and I promised him that we would do really good staff work and everybody would get information well in advance and could prepare themselves and that we would try to keep the meetings down to a minimum, and they would of course be concentrated in the spring and early summer, when we were getting the budget ready for the fiscal year. He finally agreed. I think reluctantly, but he agreed to chair the committee. That committee began to meet with the vice chancellors and the chairman of the Academic Senate and I believe the chairman of the planning and budget committee of the senate.

3-00:09:17

It took a while for us to get into a system that one, people first of all believed that we were being out front about everything. One of the ideas was to try to develop some models that you could put into place that in effect would make allocations based on formulas, metrics that would drive things. Some of them were already there. You generate one FTE for every eighteen-plus students that you bring in.

3-00:09:44

Lage:

That's a systemwide—

3-00:09:47

Kennedy:

Systemwide, and those faculty positions would pretty much get allocated to the units that were generating the students. In a sense, it was up to the general campus to deal with their sub-allocations, how they passed out the FTEs to the academic departments and so forth. There were issues about the distribution of indirect costs, which was becoming and bigger and bigger issue because San Diego was leaping ahead in terms of generation of federal dollars, and nobody was happy, at least not in San Diego, about the distribution of indirect cost recovery out of the system, because Berkeley and UCLA were getting more than their fair share. It was a historical thing, I think. And that was a big mystery as to how that was allocated.

3-00:10:31

Lage:

Part of the mystery was what was happening up at the president's office.

3-00:10:34

Kennedy:

We did all kind of analyses to demonstrate that we weren't getting our fair share. But what we did get, I felt that we needed to have a method for allocating it that made sense, not just—

3-00:10:49

Lage:

When you received it.

3-00:10:51

Kennedy:

Whatever we got. If we got a dollar or if we got ten million, we should have a rational method for allocating it amongst the various needs on the San Diego campus.

3-00:11:01

Lage:

So did this committee work out that rational method?

3-00:11:03

Kennedy:

I worked it out as a model and then presented it to the committee, and there was some adjustment to it, but in the end, yes, we did adopt it, and that model is still being used today, and the budget committee is still active today, twenty years later. It's a great, transparent system. People can say, "I don't like that I didn't get what I asked for," but they know damn well why we made the decisions, and it's much more methodical and metric driven than it was twenty years ago.

3-00:11:36

Lage:

Now, what do you mean by metric driven?

- 3-00:11:38  
Kennedy: Meaning indirect costs, which are recovered primarily from your federal contract and grant—that money is generated, is derived from a formula that is prescribed by the government: how much can you recover for the library, how much can you recover for departmental administration, how much can you recover for use of facilities, use of equipment, for utilities and so forth. Our model takes the federal government’s formula and applies it to the distribution of the money within the university, so money that is derived from departmental administration and the use of equipment and so forth, we feel should just go back to the departments that generate it.
- 3-00:12:28  
Lage: And specifically the departments that got the grants?
- 3-00:12:31  
Kennedy: Specifically to the major unit: the general campus, the medical school, SIO, or the administration. And then it’s up to those units to decide how to sub-allocate.
- 3-00:12:43  
Lage: I see.
- 3-00:12:45  
Kennedy: But we strongly urged that they incentivize the system, meaning giving more of it back to the people that generate it, because then they have incentive to try to generate even more.
- 3-00:12:53  
Lage: But you didn’t work that out for the general campus.
- 3-00:12:56  
Kennedy: No, that was up to the general campus.
- 3-00:13:00  
Lage: Because that’s a big element in all this.
- 3-00:13:02  
Kennedy: Well, but the medical school is a big enterprise, too. Our idea was to, in a sense, have tubs on their own bottoms. That is, the general campus and the vice chancellor for academic affairs, who was the chief operating officer of the general campus, should have his or her resources and, within some general guidelines, be able to apply those resources to meet their programmatic needs. It didn’t make a lot of sense for somebody sitting in my position to decide whether the general campus ought to give an FTE to physics or philosophy. That was for them to decide. And the campus actually did have a committee, called a program review committee. In fact, I was the medical school representative to it for many years. And they had their methods for deciding how they were going to distribute their resources in order to balance things across the general campus, as did the medical school and, to a certain extent, SIO. So our job was to try and enhance, maximize the money coming into UCSD, and then get it down to the units in a way that made sense and was equitable, and then let the units deal with their issues.
- 3-00:14:15  
Lage: As vice chancellor for resource management and planning, did you have a counterpart in the general campus?

3-00:14:25

Kennedy:

In the medical school, the person that took my place is associate—

3-00:14:33

Lage:

Yes, you had a counterpart there.

3-00:14:35

Kennedy:

And there was someone in the general campus who worked with the vice chancellor to staff that effort. I don't think it was a person that was in a decision-making role but more of a staff role on the general campus, and the same thing at SIO. I think it was the vice chancellor for academic affairs and the vice chancellor for marine sciences that really made the decisions, with the support of committees and faculty input and departmental input and the like. But the idea was to try to get the chancellor's office above the details and to deal with it at a big-picture level, at least from a campus point of view, and spend more of our time trying to acquire resources, as opposed to figuring out what to do with them in detail once we got them.

3-00:15:23

Lage:

And so in acquiring them, what did you do with that?

3-00:15:25

Kennedy:

One of the real thrusts in San Diego, which was somewhat controversial with the faculty, was that we felt that one of the surest ways to get resources was to increase the number of students, and so there were moments in time in the eighties when the private institutions were running their tuition up, and I really believe that this had a big impact on parents and students deciding that there are good alternatives in the public sector and to come to the University of California because they're going to get a good education and it's a lot less expensive than a Caltech or a Stanford or whatever. And so we got really active in terms of recruiting, of trying to get students to consider San Diego. We were exceeding our enrollment targets every year. We didn't always get the money that first year, but by God, you always got it the next year because the state in those days was paying [based] on enrollments.

3-00:16:32

Lage:

And did you have room to expand?

3-00:16:36

Kennedy:

We decided that we could accommodate the students, and we'd have to squeeze a bit both in terms of the requirements on the faculty—because if you take a whole bunch of students this year, you can't get the FTEs—you can't get people in place probably until next year, and so there may have to be some extra effort by the faculty. And the same thing with facilities. You get the facilities after you create the work load. We had to do some squeezing. We didn't have enough dormitory space, and we didn't have enough classrooms and so forth, but we managed to figure out how to do it.

3-00:17:15

Lage:

But this was really a deliberate effort to recruit.

3-00:17:17

Kennedy:

It was deliberate, to try to increase the student numbers so that we could get new resources, particularly faculty FTEs.

3-00:17:25

Lage: How much did they—

3-00:17:29

Kennedy: Gee, I don't remember the numbers anymore, but it was a significant increase over a period of several years. We also tried very hard to improve our graduate-to-undergraduate ratio, which was very low in those days. We had few graduate students on the campus. I don't remember the numbers, but it's still probably in the 18, 19 percent range, compared to maybe 30 at Berkeley or something. I'm not sure whether San Diego will ever get there, but the idea was to try and work with the system, with Larry Hershman and Bill Frazer, who was then the vice president, to try and get that ratio up so that we could have more graduate students.

3-00:18:04

Lage: And that you need permission to get? What do you mean, "work with the system"?

3-00:18:08

Kennedy: The number of graduate students and undergraduates were agreed-upon enrollment targets. You could easily increase undergraduates, but it was not easy to increase graduates because it was a richer formula in terms of the FTE-ness of graduate students, if you like. The state was not anxious to fund a lot more graduate students. They were quite willing to fund undergraduates, as I recall. That was more internal to the university—because if we got more graduates, maybe that meant some other campus got less, or they had to go wage a battle with Sacramento. There was always a lot of tugging and pulling going on.

3-00:19:00

But the idea was to really try to generate resources because we felt we had to grow the faculty and grow the students in order to really make the university progress. The hallmark of Dick's chancellorship, in which he said, when he was giving his inaugural address, was "the quality of the faculty is what makes a great university, and that's my job as chancellor, to make sure that we have as good or better faculty during my tenure." And so he focused a lot of his effort on recruiting really excellent faculty members.

3-00:19:29

Lage: And you've got to have the additional FTEs to do it.

3-00:19:32

Kennedy: You've got to have the resources, the FTEs and the operating dollars, to recruit. It's even harder today than it was back in the eighties, but it was still hard then. And facilities. We had to build facilities, provide labs for the faculty and classrooms for the students.

3-00:19:47

Lage: And that was your bailiwick also.

3-00:19:50

Kennedy: That was my bailiwick also.

3-00:19:52

Lage: So what did you do in that area?

3-00:19:53

Kennedy:

We got pretty creative early on because there was not much capital money in the system. In fact, when Dick became chancellor and I became the director of planning and budget and then vice chancellor, there hadn't been a new state-supported facility built in San Diego for a very long time. One of the things that we did is we built one of the first, if not the first, building in the system down at SIO, using indirect cost money to pay back the debt. This was very controversial.

3-00:20:26

I came up with a plan, and it was modest—I think it was \$6 million or something, which in those days seemed like a lot, but it was still pretty modest. We thought we could demonstrate and convince a reasonable individual that if we could get this additional space, we could increase the number of research dollars and increase the indirect cost recovery, and that portion that came back to San Diego could be utilized to pay debt service on the building. I proved that to my own satisfaction, and I got Dick to agree to it, and we started working it in the system and talked to [William] “Bill” Baker, who was then vice president, Larry Hershman, and I'm trying to remember who was executive vice president then.

3-00:21:22

Lage:

Ron Brady.

3-00:21:23

Kennedy:

No, it wasn't Brady. It was before Brady's time. It was—oh! I can see his face, and I can't remember his name.

3-00:21:32

Lage:

We'll fill it in. [William Fretter]

3-00:21:33

Kennedy:

We'll fill it in. Convinced all of them that this was a workable thing and that we wouldn't have any trouble paying the money back, and if we did, it was our burden, and it would have to come out of our hides, and we weren't asking the system to put up any additional money. This was early on in my tenure. I had sort of been working on this idea before I went up to work for Dick.

3-00:22:03

Lage:

Oh, you had, when you were at the medical school.

3-00:22:05

Kennedy:

Yes, I had been thinking about how to get facilities. I was invited to make a presentation to President Saxon at the tail end of the Council of Chancellors meeting. I think it was in February or March of '81—I had just become director of planning and budget. I flew up, and the meeting was down in the basement of Blake House. I arrived in the middle of the afternoon, and the chancellors were still meeting, and I sat around for about an hour, and finally the chancellors came out. They had had a very difficult day, and so I was asked to come down to the conference room to present this.

3-00:22:55

Lage:

To the chancellors.

3-00:22:58

Kennedy:

No, no, it was just David Saxon. There were only four or five people in the room: Saxon, Atkinson, Baker, I think Hershman was there but I don't remember, and the executive vice president, whose name I'm blocking out on. I had prepared a paper, which they all had, and I was led to believe that this was kind of ceremonial, that everybody had agreed and they had talked to the president about it and that it was okay. And so I started making my pitch, and David was getting very angry. I don't know if you know David, but—

3-00:23:35

Lage:

No.

3-00:23:37

Kennedy:

—he can get very angry, and I could see from his body language that he was really irritated. I figured, "Well, the guy's just had a bad day." I wasn't more than a few minutes into my presentation when he just really exploded, and he literally threw the paper across the table and said something like, "This is crap" or something and "as long as I'm president, we're never going to do anything like this." He just went on and on—I mean, I didn't know! Dick was stunned, and I was stunned, and I think maybe the other people in the room were somewhat stunned by this. I don't remember how it ended, but I think David got up and left. Dick and I had to go out to the airport to fly back to San Diego. We were pretty upset. By the time we got on the plane, though, and got back, I think Dick decided that David was angry with me, he wasn't angry with Atkinson. He had rationalized the whole thing.

3-00:24:47

But I will give Saxon one heck of a lot of credit. He called me the next day and apologized and said that he had had a particularly bad day and that was not his style for doing things, and he wanted me to understand that. Again, he was very sorry. He said he still thought it was a bad idea but that he apologized. I, of course accepted the apology. I was stunned that he even bothered to call me because he really didn't know who I was.

3-00:25:17

And then, I don't know, a couple of months later, actually it was approved.

3-00:25:21

Lage:

By him?

3-00:25:23

Kennedy:

Yes, yes.

3-00:25:25

Lage:

That's amazing. Did you have some—

3-00:25:27

Kennedy:

I had no more interaction with David. I had interaction with Bill Baker and Larry Hershman, and Dick may have had interaction with David. I don't remember.

3-00:25:36

Lage:

Didn't it take some kind of a legislative—

- 3-00:25:39  
Kennedy: Not this one, no. This was just the university taking what it was getting in the split of the indirect costs with the state, and taking its share of it and using it for whatever. It was free to use it for whatever it wanted. The university has the authority to borrow money as long as it can pay it back. And in this case, it was even refining it further by taking just that little piece that was related to these programs that were going to be housed in this building—
- 3-00:26:06  
Lage: But it was taking a future income, it seems like.
- 3-00:26:08  
Kennedy: It was taking some future income, but we were absolutely convinced.
- 3-00:26:11  
Lage: You must have had some figures.
- 3-00:26:14  
Kennedy: We analyzed and talked to the people at Scripps about, yes, they could generate more money if they had more laboratories to do the research in. It was a slam-dunk. They were very competitive. They were just out of space. But we had to commit ourselves that if, in fact, that revenue stream didn't appear, then we had to take it out of the existing resources, which would have really hurt the campus.
- 3-00:26:40  
Lage: Yes, it would.
- 3-00:26:42  
Kennedy: And probably cost me my job.
- 3-00:26:44  
Lage: Maybe even Dick Atkinson's.
- 3-00:26:47  
Kennedy: Well, I don't know about that, but it would have been very difficult. But the building got built, the revenue was generated, and it really was a model for later on.
- 3-00:26:48  
Lage: Because it must take some time to get that revenue generated.
- 3-00:26:55  
Kennedy: Well, yes, but you have to up-front it. You have to spend a little bit, in a sense, as an investment. But that was really a model for the Garimendi projects that came later.
- 3-00:27:06  
Lage: Now, what was the Garimendi thing?
- 3-00:27:10  
Kennedy: We always made the argument that the state ought to allow the university to fund research buildings by using indirect cost recovery as long as it was new money, not taking the existing money but as long as it was new money, because the existing money was part of the base of the university's budget, and even though the university had a lot of flexibility, it was built in. But if we could generate brand-new revenue that wouldn't

exist without a new facility, why not? Why not take all of that indirect cost money, or as much as you needed to pay, the debt service and the operating expenses of the building? It just made sense.

3-00:27:49

There was a fellow [Stan Lena] in the leg [legislative] analyst's office—again, whose name I'm blocking out—who I used to talk to, and Dick—we used to talk to him at regents meetings all the time. He kind of finally got it and finally figured it out, that it was a good thing to do. At some point, Garimendi put it in the legislation, and it's a popular—all the campuses use it now. It really evolved, I think, out of this original model that we had to build this small research building at the Scripps Institute of Oceanography.

3-00:28:24

Lage:

Very interesting. Well, I wonder if that's not a good place to stop, to give you time to make your way down to UC Press.

3-00:28:32

Kennedy:

Okay.

3-00:28:34

Lage:

And it's sort of finishing the story.

3-00:28:36

Kennedy:

Yes, that's fun. It's been fun.

3-00:28:38

Lage:

Yes, very much so.

[End of interview.]

[Interview 2—morning session: November 17, 2003]  
[minidisc 4]

4-00:00:08

Lage: Okay. Now we're recording, and today is November 17, 2003. This is our second session with Wayne Kennedy. We haven't met since September.

4-00:00:19

Kennedy: This is correct.

4-00:00:21

Lage: We were saying a lot of things have happened since then. Okay, we were last time sort of in the middle of talking about your tenure at San Diego.

4-00:00:28

Kennedy: Right.

4-00:00:30

Lage: And you talked particularly about increasing the resources of the campus, particularly about increasing the number of students.

4-00:00:42

Kennedy: Right.

4-00:00:43

Lage: Were there other strategies?

4-00:00:46

Kennedy: Yes, another area which we tried to grow was a development program to raise private money. One of the things that Chancellor [Richard] Atkinson was very interested in was creating endowed chairs. When he became chancellor, I don't think there were any, or maybe there was one, but not very many. He thought that was very important in terms of recruiting and retaining quality faculty. And so we put some effort into development, which actually started before Atkinson came, with the hiring of the first full-time professional development officer for UCSD, and the first capital campaign was for a cancer center. I may have mentioned this last time.

4-00:01:36

Lage: I think you mentioned that in connection with the medical school.

4-00:01:38

Kennedy: I worked closely with Ray Ramseyer, who was the development officer, on the cancer center campaign. It kind of got stalled towards the tail end of the [William] McElroy administration, and the person who was the dean of the medical school went on a sabbatical leave back to Washington to be assistant secretary of defense for health, and so the thing kind of got stalemated. When Atkinson became chancellor, he wanted to sort of regenerate that effort, and I got involved in trying to push that along. And we were successful in raising the money.

And later on—I don't remember the exact time sequence, but some time later after I became director of planning and budget and then when Dick made me vice chancellor for resource management and planning, he added some responsibilities to my portfolio,

and one of them was development. And so then the development office, as well as university relations and governmental relations reported to me.

4-00:02:55

Lage:

Did you make any changes?

4-00:02:57

Kennedy:

Initially what I did was to have it bifurcated into two operations: development, which was still run by Ray Ramseyer—and we did put some additional resources into that and hired some additional people; and then we had a separate public affairs/governmental relations office, and I actually recruited an individual who was working for the chancellor, and that was Bruce Darling, who came out with Dick on a leave from the NSF and was only going to stay a year or two and then go back to the science foundation. He was an assistant to the chancellor, or maybe they had the title of assistant chancellor. I'm not sure. But anyway, Bruce was a very talented young person. I suggested that, rather than go back to the National Science Foundation, he come to work for me and take responsibility for governmental relations and public affairs, which he did, and worked for me for the whole time I was vice chancellor, up until—

4-00:04:01

Lage:

And then came up to the president's office.

4-00:04:02

Kennedy:

Right, and then after Dick Atkinson became president, Bruce came up and became vice president for university relations. But then later we reorganized a bit more because it made sense to put together development, public affairs, and governmental relations because they're very much tied together. And so when Ray Ramseyer decided to retire as a development officer, that was an ideal time to reorganize that effort. We actually did a national search to find an associate vice chancellor for development to replace Ray Ramseyer. We had a search committee, and after a whole bunch of fits and starts, in an area that's very hard to recruit quality individuals because the demand is extraordinarily high and the number of people that are really good are not that many. And in the end, we decided to make Bruce the associate vice chancellor for both and to give him the prerogative of recruiting a director for development, because Bruce had no experience in development but was very smart and very personable and understood external relations very well, so he put that effort together and did that until he came up to the president's office.

4-00:05:30

Lage:

You said there's a small pool of people. Do you look for a special kind of person to be in the university setting?

4-00:05:38

Kennedy:

No. I think that development people who come—it's all not-for-profit, whether it's university or whatever, American Heart or some foundation have special backgrounds and skills. A lot of it is public relations kinds of activities and culturing people who have the ability to give to an institution, whether it be a university or a church or whatever, and also having good instincts about when to push people to make a decision and so forth. In the last couple of decades, public universities have gotten very heavily into fundraising, which was not the case, say, twenty-five years ago. And so the demand for these kinds of individuals has grown dramatically, and the pay for these individuals

has gone up dramatically, and so it's a great competition to hire and retain these folks. And there's also a lot of movement in that field. People come and stay for a year or two, or you train people and then they go off and become directors someplace else, for bigger salaries and so forth.

4-00:07:07

Lage:

This makes me think of—I mean, you're making these changes on the San Diego campus, developing the development, so to speak. How much of that is within the context of the university as a whole or what other universities are doing? I mean, is this an idea that generates locally or do you see your colleagues doing it?

4-00:07:33

Kennedy:

At this point in time, in 2003, every campus in the system, including—

4-00:07:39

Lage:

But this was in the early—

4-00:07:41

Kennedy:

—including Merced, has a strong development program. Back in the eighties, I would say UCLA had a very strong development program because Chancellor Young was out there and very good at raising money from alumni and others. I think Berkeley had a pretty good program and continues to have a very good program. Of the newer campuses, I think San Diego was sort of out in front in terms of putting together a development effort. But this was very modest. Our first major capital campaign was \$25 million in 1985 to celebrate the twenty-fifth anniversary of the university. UCSD now is raising \$1 billion, as are most of the campuses, have billion-dollar campaigns, so in a relatively short period of time, less than twenty years, the campus has gone from what they thought was almost an impossible goal, raising \$25 million, to a goal of raising \$1 billion. Things have progressed. [Laughs.]

4-00:08:45

Lage:

Driven by necessity as well.

4-00:08:48

Kennedy:

Absolutely.

4-00:08:51

Lage:

Okay. It's always mentioned that San Diego was strong on advocating for greater percentage of the indirect cost recovery.

4-00:09:02

Kennedy:

Yes.

4-00:09:03

Lage:

Am I saying that right?

4-00:09:08

Kennedy:

Yes.

4-00:09:09

Lage:

Tell me about the politics and the theory.

4-00:09:11

Kennedy:

It takes a little bit of history because when I first came in the system in the seventies, there was a single indirect cost rate for the whole University of California, and virtually all of the indirect cost money that came in, flowed into the university, was redistributed, and a piece of it went back as a budget offset against the state budget. And so the campuses had little incentive to increase—well, they couldn't increase the rate because it was a systemwide rate, but little incentive to really be serious about trying to increase the recovery of indirect cost funds because they couldn't assign the benefit to the campus directly. Indirectly, of course, it was there.

4-00:09:53

Lage:

Would you just, in two sentences, describe what indirect costs are?

4-00:09:57

Kennedy:

Dealing primarily with the federal government but also with other sponsors of research, whether it be a company or a not-for-profit like the American Heart, the university asks for reimbursement in two general areas. One is direct costs, so that would be salaries of faculty and staff and supplies, equipment, travel, things that easily can be identified with a project. And then in addition to that, they ask for indirect costs or overhead, which is associated with providing those things that are not easy to attribute directly to a project, such as the lights, the electricity, the heat, the space that's required, the administrative support, the purchasing office, the human resources departments and so forth.

4-00:10:51

Lage:

The library.

4-00:10:52

Kennedy:

The library is an indirect recovery. And so starting way back in the fifties, when the government and the university forged a partnership that had its origins in World War II, there were agreements that were made and a set of principles set out for recovery of indirect costs. That has been a source of contention with the government for the last fifty years in terms of how you actually calculate that, what's fair for the universities to recover and so forth. It's also contentious within the university because the faculty, in the main, believe that all of the money that's generated from a research grant or contract that they get from a federal agency ought to accrue to them, and the university's position is, well, we provide the heat and the light and the space and the support, and we have to recover those costs because there's no place else to pay for it. And so there's a bit of contention between the faculty and university administration over indirect costs. In more than two sentences.

4-00:12:06

Lage:

Yes, but not everybody really knows what it is. It can be as much as 50 percent of the grant.

4-00:12:12

Kennedy:

It's actually calculated as a percentage of the direct costs that you spend. In fact, it's not all of the direct costs. So a rate of 50 percent of direct costs would yield something less than half of the grant. So for every salary dollar, every dollar you spend for supplies and so forth, there is a rate applied to cover the expense of the indirect costs.

4-00:12:40

Lage:

And that goes to the president's office.

4-00:12:42

Kennedy:

Well, yes, that was the way the old model worked, and then at some point—and I don't, again, remember the dates, but sometime in the early seventies, I believe, the government decided that a single rate for the University of California didn't make any sense and that there needed to be individual campus rates because the campuses, in effect, were universities on their own. The government felt that having a single rate for the whole system didn't make any sense, that it was averaging too much. I think that was a mistake on the government's part, by the way, because history will prove that once it was done on the campus basis and once incentives were introduced, then it was in everyone's best interest to maximize, at least from the university administration point of view, to maximize the recovery of indirect costs, and so we got more sophisticated about it and did studies to justify high rates. So I think the government would have been better off leaving it at a systemwide rate because the incentive wasn't there to make it go up.

4-00:13:53

But somewhere in the seventies, that decision was made, and then each campus had to do its own calculations. When Atkinson became chancellor, he took this on as sort of a cause. He felt very strongly that there had to be an incentive and that those monies really needed, in the main, to come back to the generating campus, because that's where the expenses were accrued, because we pay for our own utilities and so forth, and we have to pay those bills, and we needed those resources.

4-00:14:27

So Dick really waged war with David Saxon and others over this issue. And it was a very slow and cumbersome and difficult battle, but over time, we did convince the president and the people in Oakland—then in Berkeley—the president's office, that there needed to be a greater distribution coming down to the campuses and that it needed to be incentivized. That is, the more money you collect, the more that you get, so that we would be more diligent in pursuing indirect costs.

4-00:15:04

Lage:

And did that happen under the [David] Gardner presidency?

4-00:15:07

Kennedy:

It actually started under Saxon.

4-00:15:08

Lage:

Oh, it did.

4-00:15:11

Kennedy:

But I think came to fruition under Gardner and then really was settled when Atkinson actually became president and decided that yes, most of these dollars, if not all, were going to come back to the campuses, in proportion to how the money was earned. That was a very long, decade-long-plus battle to get that policy modified. But also once the decision was made to decentralize the rates and to provide some incentive to the campuses, then there was the issue of, well, who actually makes these calculations? Is it done at the campus or is it done in the president's office?

4-00:15:58

When I became director of planning and budget, and shortly after Dick became chancellor, it was clear to us that we had to develop that capability here on the campus. That fell to me as a responsibility because I had had a lot of experience in that arena. We actually went out and recruited someone from the president's office to come to San Diego and lead the effort to calculate the San Diego indirect cost rate. And that's the case today. We have several people who are expert in working within those principles that the government has put out and then working with the Department of Health and Human Services to calculate and negotiate those rates on a periodic basis.

4-00:16:46

Lage:

I guess the people applying for grants sometimes see that as a negative, if the campus has a high rate, if there's a ceiling on how much money you can apply for.

4-00:16:57

Kennedy:

They do, and working with the faculty to have them, one, understand the necessity and understand that the support that they get, whether it be for procurement or recruiting of technicians or providing the buildings and the laboratories and some of the equipment that the government doesn't pay for directly—making them understand that if we don't have those indirect cost dollars, then we're not going to be able to provide the wherewithal for them to do the research.

4-00:17:31

But what we eventually did in San Diego—and I think we really were a systemwide leader in this—was to structure a system whereby the indirect costs that came to the campus, some of it, went back into the units that generated it, so that the faculty and the departments could see a benefit, opposed to it just all coming to the chancellor and having the chancellor spend it. We constructed a model that said: We're going to distribute the money in the way in which it's earned. And if you look at the way in which you generate indirect costs, there are different components of the rates, some having to do with recovery for buildings, some for recovery for equipment. You mentioned the library. Some for recovery for the library, some for administrative costs. So we created a model that mimicked that, and then used that internally to redistribute the money recovered. And so a department could see, if we generate more indirect costs, we're going to get more of it coming back to the department to help us do the kinds of things we need to do at the department level.

4-00:18:41

Lage:

And did that go down to the department level, or to the units—you told me last time about the general campus—

4-00:18:46

Kennedy:

Out of the chancellor's office, it was distributed to the three major units: to the general campus, medical school, and the Scripps Institute of Oceanography, but with a strong push from the chancellor for the vice chancellors in those areas to incentivize their departments. Now, I don't believe it's ever gotten below the department level; that is, not to individual faculty members, but I think that the three major units do see that some of it, maybe not all of it, but some of it gets back to the departments that generate it. It's used for recruiting and for startup costs for new faculty and a myriad of things in which the dollars are very flexible. There are no real restrictions on those dollars, so they're quite valuable dollars.

4-00:19:38

Lage:

You use this word “incentivize” more than most people I’ve interviewed in the university. Was there more of a push here in San Diego, or was it your own personal outlook?

4-00:19:49

Kennedy:

I believe that you need to motivate people to go along with policies and procedures and directives that intuitively they don’t agree with. I think the faculty are very smart people. I think if you work with the faculty and give them a rationale that makes common sense and that you can justify with data and show: These are the expenses associated with supporting a research program. Here’s the calculations. We’re happy to go through them with you in great detail. And here’s how we generate that money for equipment, for buildings, for utilities, for library, for administrative costs and so forth, and when we recover that money, what we propose to do is to allocate that money back, in the way in which we earned it. So all the money that is recovered for library goes back to the library. So we think the library has an incentive to tell the faculty, “Hey, the library is benefiting from this recovery, and that means we can have more books in the library, provide you faculty with better service” and so forth. So providing that incentive I think motivates people.

4-00:21:09

It’s just like, I’m a big believer in incentive pay, which is not very popular in the University of California, by the way. I’ve taken my shots for it, but I really do believe that if you have a properly structured incentive program, it can really benefit not only faculty but staff and others.

4-00:21:31

Lage:

But I guess what I was trying to get at is are you more inclined in general towards incentivizing whole aspects of the university?

4-00:21:42

Kennedy:

Yes, I think so, yes. I would think most of my colleagues around the system are probably not quite as enthusiastic about it as I am.

4-00:21:52

Lage:

You seem to think it’s worked.

4-00:21:55

Kennedy:

Yes, I do. Not all the time, but most of the time.

4-00:21:58

Lage:

Okay. Anything else about increasing campus resources or maybe about how San Diego fared when the budget downturn occurred in the eighties?

4-00:22:10

Kennedy:

The budget downtown in the early eighties, or the late eighties, maybe—

4-00:22:13

Lage:

Late eighties, yes.

4-00:22:16

Kennedy:

—we thought at the time was absolutely devastating, but it really was not as bad as the hit that we took in '92-'93, when I first went to the president's office. I mean, that was the most egregious set of budget cuts I've ever seen in my career. But I have to quickly add that the current set of budget cuts are even worse, and so it's all a matter of degree. I think at the time it seemed rather difficult to deal with for the San Diego campus, but on the other hand, I think we had positioned ourselves reasonably well because we were increasing the undergraduate student population. Again, the first dollar that the state is going to put up, in good times or bad, is for undergraduate students, and so in a sense, we had some built-up credit for students that we had taken, and so that helped us weather our way.

4-00:23:21

And when you take students, you generally get the money after you take them, not before. You take the students, and then you get the money. And it takes a while to recruit the faculty and do the things you need to do to actually spend those dollars. It helps—in a sense, there's a delay in permanently spending those monies, and in the interim you can use them on a temporary basis to help alleviate budget reductions or use it for recruiting or whatever. So I think we were reasonably well positioned, although at the time it seemed very difficult.

4-00:23:53

Lage:

Someone I talked to, and I can't remember who it was, said that you actually were in a much better position than most other universities and were able to hire people—I don't know if I want to use the word "hire people away," but went out in recruitment competitions.

4-00:24:10

Kennedy:

There were a lot of universities that were very concerned about UC in general because even though everyone around the country was getting their budgets sliced, but we were growing, and therefore in a sense were still on the market for recruiting additional faculty. We did some really good recruitment during those years.

4-00:24:33

Lage:

This would be late eighties, early nineties?

4-00:24:36

Kennedy:

Yes. So there's good news and bad news.

4-00:24:38

Lage:

It had something to do with your previous thinking ahead.

4-00:24:47

Kennedy:

Yes, I think it did. I mean, one of the important things in managing an institution like UCSD or any institution of this magnitude is that one has to really plan for good times and bad times and have money set aside, in reserve, so that when the bad times come, you can help get the university through those times without major disaster, but also to have money so that you can take advantage of opportunities when they're available. And when other universities are having difficulty recruiting and retaining faculty and you've got some money set aside so that you can continue to do that, you're in a much better position.

4-00:25:38

It's like the State of California. In all due respect to our former governor, Gray Davis, who I guess is no longer governor as a few minutes ago, he came into office with a \$12 billion surplus and he goes out of office with a \$25 [billion] to \$30 billion deficit. Just think if the legislature would have been a little more frugal during the first few years of his tenure, they may have gotten through some of this. There was the electrical crisis and so forth and a bad economy, but they were spending money like it was going to continue to increase forever, and you just can't do that. The pendulum swings back and forth. You have to be smart enough to know that and to make sure that you set some money aside so that when the pendulum swings in a negative way, that you do not have to cripple the institution.

4-00:26:39

Lage:

How do you set money aside from the university budget?

4-00:26:43

Kennedy:

First of all, there's not a single source of money in the University of California. There are state funds, there are federal funds, there's private money that you raise, there's indirect cost recovery; we have medical centers that generate money; we have our medical schools—their faculty generate money from clinical income and the like, and so there's a lot of different sources of money that come into the university. All of that money does not have to be committed on a permanent basis. Even the state funds don't have to be committed every year on a permanent basis, and so there are many, many tools available to carry money forward from year to year and to create reserves. And I don't think they should be excessive. The idea is not to build up a big kitty of money, the idea is to position the institution so that it can, in a sense, have a steady situation and not have these ups and downs financially that just make it very difficult to manage the place.

4-00:27:47

Lage:

Now, just a little more specifically, what happened, rather than the theory of it: Is this something you and Dick Atkinson discussed early on, or was it your bailiwick?

4-00:27:57

Kennedy:

The resource management of UCSD was my responsibility, and when Dick became chancellor, I have to say there were no—in fact, I would say the place was on very thin ice financially, because I don't think the previous administration had the—I mean, their attitude was that they're growing and you've got to spend the money to promote growth and to recruit and retain quality and so forth, and that's very important, but I don't think they set money aside. In fact, when I became director of planning and budget, there was basically no money set aside, and so a new chancellor coming in—how does he be creative and innovative and start new programs and go out and recruit some new faculty if there's no resources to do that?

4-00:28:51

One of the plans that I had was to, over time—and you can't do it precipitously—but over time, as we grew, as we took additional students, got additional money, as we got more indirect cost recovery and so forth, to try and make sure that some of that money remained flexible and was available for the chancellor so that he could in fact create new programs and go out and recruit some of the best faculty and have money for startup packages and the like. So it was a game plan that took a few years to put in

place. When I left here in 1993, I think the campus was in really excellent financial health, and the chancellor had an enormous amount of flexibility in terms of having money available to do those kinds of things.

4-00:29:36

Lage: So it sounds like it was your game plan.

4-00:29:41

Kennedy: It was my game plan, yes. I think. I think Dick would give me credit for it.

4-00:29:44

Lage: Okay!

4-00:29:48

Kennedy: He was more of a spender, and I was more of a saver. Let's put it that way.

4-00:29:53

Lage: Well, you need both.

4-00:29:56

Kennedy: Right.

4-00:29:57

Lage: Should we move to the long-range planning process?

4-00:30:00

Kennedy: Sure.

4-00:30:01

Lage: That sounds like that was important on this campus.

4-00:30:03

Kennedy: Yes. The campus had actually done—I can't remember the number—two or three long-range plans before I had gotten involved. There was the original long-range plan and then it had been modified a couple of times. But the concept from a physical point of view for the campus was the undergraduate college concept, which we may have talked about last time a little bit. In fact, the thought was that there would be ten undergraduate colleges, and each would have about 2,500 students or so, and they would be in physically separate locations around the campus.

4-00:30:44

It was sort of modeled after Oxford originally, where there are the individual colleges. The idea was that, one, they would each have, in a sense, their own general educational requirements; they'd have their own facilities, their own dormitories and eating facilities, and it would give it much more of a small college flavor as opposed to a big university. But it became clear, I think, to a lot of us, both on the academic side and on the planning side, that it wasn't likely, one, that we were ever going to have ten colleges. It just didn't seem to work that well physically for the campus to have that many colleges. Where are you going to put them all, and how are you going to support them all? Very expensive to have facilities for all of those colleges, eating facilities and classrooms and so forth.

4-00:31:38

But I think secondly, I think the academic side—it became more of a residential approach than I think an academic approach. Now, they still have their own general educational requirements, but I guess from my view, as a non-academic, it looks to me like it's more a residential college system than an academic-driven college system as it has evolved over time. Maybe folks on the academic side would disagree with that. I'm not sure.

4-00:32:07

Also the campus, from a physical point of view, in a sense suffers from the fact that it was a military base. In fact, it was two military bases: Camp Matthews Marine Corps Base and Camp Callahan Army Base. Most of the land that accrued to UC for the campus came from government surplus property, and so a lot of the military facilities were still here: Quonset huts, wooden structures and the like. But also the grid—the road and the utility grid for the campus was already here, and a decision was made when they started the campus that they were going to accommodate to that grid. I personally think that was probably a mistake, even though it was the economical thing to do, but it sort of dictated what the campus was going to look like.

4-00:33:03

And so in the early eighties, when I got heavily involved in physical planning for the campus, it really became clear that there was not a coherent plan for the campus to really make it work and function well in terms of movement of people and vehicles. There really wasn't a way to make the campus work from a visual point of view because early on, the decision was made that each college was going to have its own unique architecture. So they started with Revelle [College], which was kind of the reddish looking, brick looking set of structures. And then when they created Muir [College], it was stark concrete. When we did Third College, because of the push from Sacramento, it was low-rise stucco looking buildings. So you had this kind of architecture that didn't hang together very well.

4-00:33:56

We just felt—and we were in this period when we knew we were going to grow, and add a lot more students, and we were going to create additional colleges, so we really thought we had to do a new, a long-range development plan, and so we launched into that. That's a very complicated and involved process. I felt very strongly, and I still feel very strongly, that you should never do a physical plan until you have an academic plan because the physical plan ought to support the academic plan; it shouldn't be the other way around.

4-00:34:34

It was kind of interesting because I tried to get the academic folks to think about what the place was going to look like academically as it grew, as it went from—I can't remember the exact number of students in 1980, maybe 10[,000] or 11,000 students. What are we going to look like academically when we get to be 20,000 or 27,500, which was the target number for the total students? Well, it was very difficult.

4-00:35:04

Lage:

To get them to think about it?

4-00:35:08

Kennedy:

To get them to even think about it because nobody really wanted to make the kind of decisions about what sort of programs you might have and so forth, for a couple of reasons: One is whenever you do that, it's going to be controversial because the current set of faculty and departments probably aren't going to like it, and secondly, whenever you start talking about planning and growing new programs, you're immediately talking about resources. You're beginning to get into how you're going to allocate scarce resources, and the faculty and people don't like that very much. We really had a very difficult time. I kept telling the chancellor that "Damn it, I'm not going to start the long-range development plan until I get an academic plan." We went back and forth for over a year, and I never got an academic plan.

4-00:36:00

Lage:

Who were you going back and forth with, the deans?

4-00:36:03

Kennedy:

With the vice chancellor for academic affairs. It was Harold Ticho, who is a good friend of mine, and we had and still have a great relationship, but I don't think Harold really wanted to get into that level of detail because of the controversy that inevitably would—and I guess I understand that. But I said, "How in the hell can I develop a plan that's going to take this campus to 27,500 students if I have no idea what it is we're talking about in terms of the academic facilities that we need?"

4-00:36:36

Lage:

Were you thinking in terms of new colleges?

4-00:36:39

Kennedy:

And also are we going to have a big physics program or a big chemistry program? Because if you are, then you've got to think about buildings that are going to support those programs. You'd got to think about where they're going to be located, you're going to think about proximity to current facilities in the sciences and so forth. You had to have some clue.

4-00:37:00

Lage:

That's true. You can't do it alone.

4-00:37:02

Kennedy:

Quite frankly, we never really got what I would call what I viewed as a detailed academic plan. Eventually what we got, and we actually got it from the Academic Senate, from their Planning and Budget Committee, was sort of a very general concept of what they thought the place was going to look like. There were going to be so many undergraduate students, and it was probably going to be no more than six or seven colleges, and that facilities for various programs, like chemistry or biology, probably ought to be in proximity to each other, that we ought to try to—and I think we had a hand in this, but to house a certain percentage of the students on campus, and so forth.

4-00:37:57

And so with that, we proceeded to put together a long-range development plan. A big thrust of it was to make the campus work from a point of view of people moving around the campus, being able to get to their classes in a ten-minute time frame, and better traffic flow on the campus, the advent of the shuttle system on the campus, what to do

about parking, the development of the east side of the campus because the campus is bifurcated by Interstate 5.

4-00:38:59

Lage:

Oh, it is?

4-00:39:02

Kennedy:

With most of the land being on the west side.

4-00:39:04

Lage:

Are there particular programs that are on that side of it?

4-00:39:06

Kennedy:

Our medical center is over there, and the decision was made that it would be facilities that had more public involvement and might be more visited more regularly by the public, like a medical center. We actually have a science park that I worked on that's just now getting off the ground twenty years later.

4-00:39:33

Lage:

A science park that you rent?

4-00:39:36

Kennedy:

Where we lease out space to companies to come in that want to have a close technical relationship with the university. I think the first building is maybe about to go under construction, although it was conceived of way back in the early eighties. A lot of reasons for not getting it off the ground sooner, but probably not real important.

4-00:40:01

So the idea was to try and do the new physical plan, and that also involved a lot of interaction with the community and the city because of traffic and taking community input. There were a lot of open meetings for community people to come in.

4-00:40:15

Lage:

I've heard it described as a lot of "passionate debate." Were there big issues?

4-00:40:19

Kennedy:

The biggest issue, I think as always, [is] the issue of traffic generation and how many more cars are going to show up every day and what are you guys going to do about it. We worked very hard to work on public transportation for the campus, carpooling, to try and provide more amenities on campus so students would want to stay here rather than leave the campus, because when I came here in the seventies there was not much on the campus, a very small student center—in fact, there wasn't much around the area. There wasn't even a movie theater.

4-00:41:00

Lage:

A place to go and get a sandwich.

4-00:41:02

Kennedy:

Yes. I mean, the only movie theater was way down in La Jolla, the Cove Movie Theater. The closest one to that was down in Mission Valley or somewhere. And so the community around the university hadn't really quite developed yet. Now, of course, there's lots of restaurants and shops and movie theaters and places for students to go

that's relatively close. We have a shuttle system that takes students to various points in the area, as well as the campus. So traffic was a big issue. I think there were people who were concerned about the place getting too big.

4-00:41:35

But I would say in the main the relationships between the city and the university were quite good. There were some controversies, obviously, the biggest one always being, "Well, who's gonna pay for all of this? If you guys go from 10,000 to 25,000 students, we're going to have to do something about traffic and new intersections and signals and all of this, and shouldn't the university pay for that?" And our answer was always, "No, that's not our responsibility. We're a publicly-supported institution. We don't get budget for doing street improvements off the campus." In the main, we were able to sustain that, although we did contribute to some intersection improvements with the city, in a very, I think, modest way. But generally we thought the city should be responsible for providing the external infrastructure to the campus.

4-00:42:30

Lage:

What were the debates *on* the campus? Were there issues—

4-00:42:34

Kennedy:

The faculty are very opinionated people, as we all know, so everyone had their opinion, and we did have faculty on our committees, and we did consult on a regular basis with the Academic Senate. But there were always faculty who felt that they had better wisdom than we did. I'll always remember one faculty meeting of the Academic Senate in which a very senior faculty member in the sciences, whose name I'm not going to mention, but he got up and just made this impassioned speech that what the chancellor really should do would be to put together a small committee of about three or four faculty members, and they could really plan this campus a heck of a lot better than bureaucrats. Dick Atkinson looked at him and said, "You're just nuts."

4-00:43:35

Lage:

[Laughs.]

4-00:43:38

Kennedy:

"The faculty, one, aren't going to be interested in doing this. You're not going to devote your time to really planning the campus, and we have people that have been trained and have lots of experience in doing this, and I'm just not going to go there." It was great fun. But the faculty have all their concerns. If you're a chemist, you want to make sure there's going to be enough space for chemistry and that it's not going to impact your lifestyle in a significant way. But it took a while. We had to do an environmental impact report, and we took a lot of comment from the public on that, and eventually it had to go to the Board of Regents for their review and approval. I actually made that presentation at a regents meeting. I think it was 1989, if I remember correctly.

4-00:44:27

Lage:

Oh, that early on.

4-00:44:30

Kennedy:

Maybe it was a little bit later than that. And then the board had to approve the plan and certify the environmental impact work.

4-00:44:39

Lage:

Were there environmental issues that were contentious?

4-00:44:43

Kennedy:

Oh, yes, there always are. Traffic again was the biggest one. We had some habitats around the campus where there were endangered species, and we had to make provisions for that. One of the monumental decisions was to set aside a fairly large piece of land in a natural reserve, mostly canyon land and heavily treed, eucalyptus treed up to the north end of the campus, to just leave that natural and not try to develop that part of the campus. And I think most of the faculty felt it was really a good idea to do that, but that meant other areas of the campus would be more concentrated.

4-00:45:20

And there were issues about where athletic facilities could go. I had some major debates with the vice chancellor for student affairs, Joe Watson, who's still here, about the location and scope of certain athletic facilities. But eventually we worked out all of these differences. I think we had a plan, have a plan that's viable for the long haul but clearly is going to be modified from time to time as things change.

4-00:45:49

Lage:

Did you have to debate about how prominent athletics would be on campus, whether you'd ever try for a Division I status?

4-00:45:59

Kennedy:

That debate took place not really as part of the long-range development plan activities. That debate has taken place periodically over time, and recently UCSD did go from Division III to Division II. I don't think the faculty were ever interested much in going into big-time sports, and when the students were consulted about it, generally the students didn't seem to be interested. I wasn't here when they went to Division II, so I don't know what the real debate was, although I suspect it evolves around the fact that this is a fairly large university now and to launch sports programs in which people want to play you and to get in the leagues and so forth you have to be more serious about it, although they're still not offering scholarships, so it's a non-scholarship program. And they do very well in athletics. No football team, though.

4-00:46:57

Lage:

Yes, that's a blessing.

4-00:46:59

Kennedy:

Everything but football.

4-00:47:02

Lage:

Are there debates about the eucalyptus trees? We were just talking about the fire here.

4-00:47:05

Kennedy:

Oh, yes, lots of debates about the eucalyptus trees. Any time you cut trees down, people feel that that's a mistake and you shouldn't do that, but you can't develop the campus because it basically was all eucalyptus trees. They had been planted back in the twenties, I guess, by the railroad to be used for railroad ties, and it turns out the wood was too soft or something. San Diego County is full of eucalyptus trees, and there are groves here. If you walk through them you can see they were planted; they're not natural. And some people think they're quite beautiful. To a certain extent, they're

weeds. They grow very fast. They're very much prone to disease. If you artificially water them, they grow literally like weeds. But I think they're part of the campus. They're part of the ambiance here, and so one has to be careful one you cut them down because you do have controversy about that.

4-00:48:08

I remember one time. I guess it was when we did the student center, the Price Center. We had to cut down a bunch of eucalyptus, and we did, over the weekend. When the students came back on the Monday the stumps were still there. The students came in and put crosses on all the stumps, hundreds of them. It looked like a graveyard. We thought that was kind of interesting. And we weren't above coming in and having work like that done on the weekends, when there weren't a lot of people around, to avoid controversy.

4-00:48:47

Lage:

Is this a campus where the students get riled up?

4-00:48:49

Kennedy:

In the sixties clearly they did, before I got here. I mean, this was a hotbed with Angela Davis and so forth.

4-00:48:55

Lage:

[Herbert] Marcuse.

4-00:48:57

Kennedy:

Marcuse. But occasionally there were sit-ins in the chancellor's office. I can remember a couple of sit-ins when Dick was chancellor, but I don't think it was as bad as other campuses. I remember one time when Dick Atkinson was chancellor, the students actually stopped the traffic on Interstate 5. I don't even remember what the issue was, but they got four students. I think there were four lanes then going south on Interstate 5 into town. They got four students in their cars, and they started way up north of here and were going down the thruway parallel, and as they got down to the La Jolla Village exit, they just stopped. They slowed down and stopped, left their cars there.

4-00:49:43

Lage:

Oh, my gosh.

4-00:49:45

Kennedy:

And had traffic blocked.

4-00:49:46

Lage:

[Laughs.] With signs?

4-00:46:15

Kennedy:

Yes, they were up on the overpass with signs. Of course, the police, the highway patrol came and moved the cars and everything, but it really tied up traffic for quite a long time.

4-00:49:55

Lage:

And you don't remember the issue.

4-00:49:58

Kennedy: I don't remember the issue.

4-00:49:59

Lage: But you think it was political rather than campus.

4-00:50:01

Kennedy: Who knows? It doesn't have to be political. [Laughs.] It can be something as simple as taking a tree down.

4-00:50:14

On the long-range development plan, another thing that was really important [was] once the long-range development plan was approved and we began implementing it, we also took the next step, which was to do what we called a master plan, because one of the features of the LRDP was to have neighborhoods on the campus, in order to try and make it feel more comfortable. Those neighborhoods would be identified by obviously geographic areas but with walkways and plantings and so forth, in order to make the campus feel more comfortable because we didn't think it flowed very well. We couldn't do much about the buildings and the grid because it was already here, and Revelle and Muir and had already been built, and Third College and so forth. So the idea was to try and have pathways and vegetation that would make it feel more comfortable.

4-00:51:11

The idea of the neighborhoods was neighborhoods should have architecture and color palettes and so forth that really hung together. We worked very hard on that, again with some help from the outside we put together the neighborhood plan. We hired the firm of Skidmore, Owens and Merrill who used a UC Berkeley faculty member, Richard Bender, as their primary consultant.

4-00:51:28

Lage: Was that centered on the colleges?

4-00:51:31

Kennedy: Pretty much, but then there are some sort of areas on the campus where you can have some visions of physical sciences area and a biological sciences area so that you could place buildings so that the faculty can easily get from one place to another. But largely it's the colleges. As we were talking when you arrived today of the University Center, which is the library and the Price Center (or the student center) and the chancellor's complex, and so this is kind of the core of the campus, and then the neighborhoods, the colleges, are out to the periphery, to try and make those feel good from a physical and an ambiance point of view.

4-00:52:18

And then we also created a Design Review Board of largely external people that would help critique buildings and design on the campus so that, again—because, you know, architects like to make statements, and you could end up with every building wanting to be a statement, so with this neighborhood plan and color palettes and sort of architectural treatments and so forth, having external people critique these and work with consulting architects on building design really was very valuable.

4-00:52:54

Lage: Did the faculty get in on that at all?

4-00:52:56

Kennedy:

Yes, we had faculty reps on the Design Review Board. I think we were the first campus to do that. This all actually started because a regent was appointed who was an architect. He's a San Diego individual, Frank Hope, who designed some of the buildings on campus early on. He became a regent, filling out the term of someone who resigned from the board, and so the regents made him head of the Buildings and Grounds Committee. He had several ideas. One is that there ought to be a consulting architect for the campus or some external mechanism to critique designs because he wasn't always happy with what was brought forward by the campuses. He also felt we should only hire architects from California and particularly from the local area, and the regents never went along with that, and I didn't think that was such a great idea, either.

4-00:53:57

Lage:

It's limiting.

4-00:53:59

Kennedy:

It's very limiting. And generally we do hire California architects and many times it's from the local area, but sometimes when you're doing something and someone from the outside or from another state has some really good idea, like when we added on to the library here, an architect from the East Coast came up with a very creative solution, because the library is a signature building on the campus, and adding to it had to be done very carefully. So I think in those circumstances you want to bring in the best talent, regardless of where they come from.

4-00:54:31

But Frank's Hope's idea was that there needed to be some independent, external critiquing. He didn't really care whether it was an individual or whatever. We felt that having an individual do it—you might as well just have a campus architect then, and it would become too restrictive. Early on, we did hire someone to do that because we had to implement, but then we decided to put together this Design Review Board, and we were able to recruit some really good architects from California that were well-known and well-recognized to serve on this committee. They would come together periodically, and they would critique designs and work with the hired architects, consulting architects, to make sure these buildings fit within the neighborhood where they were going to be placed and the scale was right and so forth. It was a great help, and that continues today. That's still a big feature here.

4-00:55:31

Lage:

I think at one time the regents, themselves, served as a design review committee. I've always heard stories about—was it Regent Donald McLaughlin?

4-00:55:40

Kennedy:

Well, the regents used to review every building. I can remember—and actually I helped change that when I became vice president. (We'll get to that later.) But I can remember going up there and presenting, along with our assistant vice chancellor for design and construction and the consulting architect, getting up there, and I'd make the introduction and maybe describe the program and then the architects would talk about the facility, and they'd show slides of it and so forth. We've had times when the regents would say they didn't like it, send you back to the drawings boards. We had one regent who didn't like flat roofs. Whenever we went with a flat roof, he'd say, "I'm not going to vote for that because they leak." Well, some do and some don't.

- 4-00:56:26  
Lage: An amazing amount of detailed management.
- 4-00:56:28  
Kennedy: Into the detail, right.
- 4-00:56:30  
Lage: Is it true that you got 125 new structures built during the eighties? That would be a lot.
- 4-00:56:37  
Kennedy: That sounds like a high estimate to me, but we did a lot. A hundred twenty-five seems like an awful lot to me.
- 4-00:56:43  
Lage: “New structures” was the way it was described. That perhaps could be—
- 4-00:56:49  
Kennedy: It still seems like an awful lot. But we did do a lot, and if I recall, during my tenure we did something like \$650 [million] or \$700 million worth of capital construction. I mean, we were busy.
- 4-00:57:09  
Lage: Yes, I’ll bet.
- 4-00:57:11  
Kennedy: We were really busy.
- 4-00:57:12  
Lage: That’s amazing. Did you do anything about affordable housing? That must be a problem around here.
- 4-00:57:18  
Kennedy: The answer is yes. It’s interesting that when you talk about affordable housing, you have to really divide it into two categories, students and faculty. We, as part of our LRDP, had a goal, which will probably never be achieved, but a goal of housing 50 percent of the students on campus. I don’t know what the percentage is today. I’d have to guess it’s in the high twenties or low thirties, but with a wide variety of types of housing: dormitory type housing as well as apartments and housing that would be suitable for undergraduates as well as graduate students. I think UCSD has some really nice housing, and the students seem to like living on campus.
- 4-00:58:15  
Lage: But then also you have to think about students who don’t want to live on the campus. La Jolla is not an affordable area for most students, so sometime in the eighties I actually bought a condominium complex that was under construction. That’s just off the north—let me think about this—the southeastern edge of the campus, called La Jolla del Sol. We actually bought it. I don’t remember how many units. Near 400 or so. The idea was to make that available for graduate students and even for faculty, on a rental basis. I don’t know what the status of it is today, but I’m certain it’s fully subscribed.

4-00:59:02

But when you talk about affordable housing for the faculty, we talked many times about building faculty housing, and I never thought that we could do it on the campus because I didn't think there was adequate land to do it on the campus, because if you look at the long-range development plan, if you look at the areas we've set aside for reserve because they're canyons and heavily wooded or whatever, and you look at all the academic facilities and dormitories and parking and everything you had to do, there really isn't enough land available to do a faculty complex.

4-00:59:41

So we started thinking about doing something off campus, either by buying land and doing it, buying into some existing project, or we have some land ten miles east of here, right near Scripps Ranch, where they just had the fires, adjacent to the Miramar Marine Corps Station. I can't remember the acreage, but it's 120 or 130 acres. I always thought about doing a housing project out there, with a good shuttle system and so forth. But every time we thought about it, and people would complain about "we're having trouble recruiting because housing is so expensive in San Diego and La Jolla," we'd do a very detailed survey of why people didn't come and how faculty accommodated themselves when they did come here, and every time we did it, and we probably did it three or four times when I was vice chancellor, we came to the conclusion, as a result of those surveys, that the faculty were indeed figuring out how to accommodate to the local housing marketplace. Just last week, I was talking to Jeff Steindorf, who worked for me. He's the assistant vice chancellor for planning. They had just finished another survey, and Jeff said the results were exactly the same, that there is not a need for UCSD to get into the faculty housing business.

4-01:01:04

Lage:

Did faculty not want to live in a group environment?

4-01:01:09

Kennedy:

No. Well, I think some faculty prefer not to live in what has been fondly called a faculty ghetto, although I must say the project at UC Irvine, has been very successful, their University Hills Project. I always thought we should try to mimic something like that. But I think there's also issues of what do you do about increases in equity. Attempts to do shared equity—I know UCLA bombed when they did it back in the, I don't know, late seventies, early eighties, because I remember when the bottom fell out of the housing market in the early nineties, UCLA was stuck with a bunch of mortgages that the faculty left and just abandoned their mortgage, and we had to take—when I was vice president—take a couple of those to the board to get them written off. It was really embarrassing. And there were big issues about shared equity when the market was very good. I think in the end, I think the UCLA campus actually gave up on the shared equity concept, they got into so many fights over it.

4-01:02:13

Lage:

And Irvine doesn't share the equity at all, do they?

4-01:02:16

Kennedy:

You know, I'm not sure. I've never really looked into that aspect, or if I did, I don't recall. But I think you can only sell to the faculty, and I think there's some kind of price control, where the value goes up comparable to faculty salary increases, and so they're not rising with the local marketplace but with the increase in faculty compensation,

which is probably a good way to do it. But I think in the main, people would like to have a choice of where they live, and with mortgage programs that the president's office put in place for providing relatively low-cost mortgages for faculty we were able to accommodate more faculty members.

4-01:03:05

I remember when I first went to work for the chancellor we talked about that. I actually went around and talked to all the savings and loans in San Diego to see if they would be willing to do some special programs for UCSD faculty as kind of a contribution to helping this place grow. They had some interest in it, but if it were going to cost them any money, they really didn't want to do it. It really took the president's office, and this is an area where I think Ron Brady did a really terrific job of developing the mortgage program, whereby the faculty [can get] variable-rate mortgages based on the short-term investment pool. And it still works quite well today.

4-01:03:51

Lage:

Okay. Any more about long-range planning? I want to get to—

4-01:03:54

Kennedy:

I don't think so. There is a really interesting document that I would like to mention, and that is a woman who worked for me, who was a university planner, Pat Aguilar, a few years ago, I don't know, six or seven, eight years ago, did a document that captured all of the long-range development plans for UC, San Diego, from the very first one till the last one, and went through all the iterations of why that plan was put in place and then why it was modified. It's quite a wonderful document for anyone that's interested in the physical history of the campus. I have a copy of that, and I've read it several times. If anybody has an interest in it, it's just a wonderful way to get a feel for why certain decisions were made.

4-01:04:53

Lage:

We should reference it.

4-01:04:55

Kennedy:

Yes, we can reference it. I'll dig my copy out and give a specific reference. There are copies in the library here, obviously. ["A History of Physical Planning at the University of California, San Diego," Patricia Aguilar 1995]

4-01:05:01

Lage:

This photo here [on wall of meeting room]—we're looking at the campus?

4-01:05:05

Kennedy:

I don't know what the date of it is, but I can—let's see. Well, this is recent. This is fairly recent.

4-01:05:14

Lage:

It looks similar to what's on the campus web site.

4-01:05:20

Kennedy:

This is the UCSD La Jolla Medical Center, and this opened in 1994, I believe, and so this must be, I'd say, the mid nineties to late nineties. Let's see if there's anything else. Yes, this is probably the late nineties.

- 4-01:05:36  
Lage: We're looking at an aerial photograph (for the benefit of the transcript).
- 4-01:05:38  
Kennedy: Right. This is the east side. This is the boundary of the campus on the east, and then this is the west, so you can see the west side has much more land than on the east side. This is the Science Research Park, where the infrastructure is under development. So this is a fairly recent photograph.
- 4-01:06:02  
Lage: So you have plenty of space, it seems. I see the natural area.
- 4-01:06:05  
Kennedy: This is a big reserve, and all these little bands in here are reserves, and then this is the Scripps Institute of Oceanography, which goes down to the beach. A lot of this is not buildable, very steep hillsides.
- 4-01:06:21  
Lage: But that's all owned by the university?
- 4-01:06:23  
Kennedy: Actually, all of this and then—let's see if I can get it. It goes sort of like this.
- 4-01:06:33  
Lage: We're looking at a section adjacent to the coast.
- Kennedy: Right. This is Scripps, and they actually connect through this piece of land. This is private, and all of this is private. There is a connection right here of university land that goes down to SIO.
- 4-01:06:52  
Lage: How about Black's Beach? Is that on there?
- 4-01:06:54  
Kennedy: That's here.
- 4-01:06:57  
Lage: That's not university.
- 4-01:06:59  
Kennedy: No. Well, actually, we used to own all this land. This is Black Horse Farms, okay? And over time, the university sold off all those lots. I actually sold some of them when I was vice chancellor. The University House is right—now, let's see, where is the University House?
- 4-01:07:18  
Lage: This is the chancellor's house?
- 4-01:07:19  
Kennedy: Yes. I'm having trouble. Let's see, you come in—it's in here someplace. It's in this area someplace. I can't quite put my finger on it. But this property here is still the university property, and this is a housing development in which we leased the land to a developer and they built 121 townhouses, which were sold with long-term, sixty-five-year leases.

We were paid, while it was under development, an annual lease for the land. But then, as each unit they sold, we received an amount of money representing the paid-up lease of sixty-five years. And so we made, I don't know, about \$15 million off of this piece of property.

4-01:08:14

Lage: Was this part of gathering more resources for the campus, selling off some of this land?

4-01:08:15

Kennedy: Yes, yes. This was my project.

4-01:08:18

Lage: Oh, okay. Well, that's important then.

4-01:08:20

Kennedy: This is how you generate money. Land that had had a higher and better use by commercializing it, in a sense. And then this piece of land was to be a hotel and conference center. We actually leased it to the same developer that was doing this, and the economy kind of went sour and they never got this project off the ground, and so they had to return it to us. They actually had to pay us money to give it back to us, believe it or not, as part of the deal. It's now been leased, and it's under construction, will open in June.

4-01:08:48

Lage: As a?

4-01:08:50

Kennedy: As a hotel and conference center, 200 rooms, very upscale—

4-01:08:52

Lage: So that will be more money for the campus.

4-01:08:55

Kennedy: —and the university will get an annual lease payment out of that, based on the income.

Lage:

And then you sold lots—what did you call this, Black—

4-01:09:03

Kennedy: Black Horse Farms. Most of this land was purchased by the university, including the University House.

4-01:09:06

Lage: In the original—

4-01:09:13

Kennedy: Well, back in the sixties sometime, after the campus got started. It was owned by the Black family, and University House was the Black's house, and that became the chancellor's residence, five or six acres. Then the decision that—I don't know why it was made, but the decision was made to sell off those lots. If I recall, there was some controversy early on about, well, if the lots are sold, who gets the money? Does it go to the system, or does it go to the campus? I think when I was involved with selling the last five or six lots, I think the money actually accrued to the campus. But early on, I think,

some of the money went back to the system. There was some controversy back in the seventies because one of the houses was sold to a UCSD vice chancellor, and somebody opined that it was sold at too low a price. As a result, there was some legislation called the Stull Bill, which requires the university to bid everything out. Before my time.

4-01:10:23

Lage:

Yes. That's an incredibly valuable piece of land there on the coast.

4-01:10:34

Kennedy:

Yes. Oh, no question. And we still own the road that goes down to the beach. This is the road. In fact, now I can find—here's University House right here, with a great view. But we own this road going down to the beach. At one time, someone suggested that we ought to deed the road to the city or whatever, but I always felt even though we have to maintain it—and it's a locked road; only people who have bought lots here in the Farms and own property in the Farms have access to it as part of the deed of their property, and so there's a bunch of people that have keys to the gate. But it is locked. We do maintain the road to a certain extent. But I always thought having that access to the beach, just because in twenty years from now somebody will be able to do some research or who knows what, and as long as we own that, we have that access. If we give it up, then we're no different than anyone else.

4-01:11:41

Lage:

That's interesting. We should maybe include this map, as a illustration here.

4-01:11:43

Kennedy:

Yes. Well, there are many maps in the long-range development plans and so forth. It's kind of fascinating to look at these over time. I was given one when I left the campus, by the design and construction folks, that shows—it's a big picture frame. It's got one map, when I first came here, and the map when I left. All the buildings that were built during my tenure.

4-01:12:08

Lage:

The 125 projects.

4-01:12:12

Kennedy:

I think that's a little of an exaggeration, but--And then, just for kicks, I actually live right up here, on this street.

4-01:12:18

Lage:

Okay. Now, what—

4-01:12:20

Kennedy:

This is [Preswick?] Drive, and I live up—well, actually, right over in here.

4-01:12:25

Lage:

Which is just west and a little bit south of the campus.

4-01:12:33

Kennedy:

Yes, I'm just a mile from the campus. I think this is my house right here.

4-01:12:36

Lage:

Oh, that's kind of fun. Does that have a view?

- 4-01:12:45  
Kennedy: Yes, I do have a view.
- 4-01:12:47  
Lage: You picked a good spot when you moved here from back east.
- 4-01:12:48  
Kennedy: 1973.
- 4-01:12:50  
Lage: Right. Okay. We're almost out of tape here, so let's...
- 4-01:12:53  
[minidisc 5]
- 5-00:00:05  
Lage: Okay, here we are on the next minidisk, minidisk five. Some people felt the campus should have been down at downtown San Diego or near Balboa Park. Do you think it works here in La Jolla?
- 5-00:00:18  
Kennedy: Yes. I was not around during the debates about the location of the campus. I happen to think that with 1,200 acres here in La Jolla and the ability to grow to 27,500 students, this is just a wonderful location. It's close to the beach, so it has a nice feel to it, and it's a very attractive place for people to come to. I think some piece of the success in recruiting the quality faculty and others to come to the university is the location. On the downside, it's an expensive area to live. There isn't the best public transportation out here. Of course, there's not the best public transportation in all of San Diego, so there are some downsides to it.
- 5-00:01:15  
The one thing that's very interesting that we didn't mention in talking about long-range development plans is that when the campus first was located here, the plan for the area surrounding the campus was to be a community that was to be planned and designed in a sense to support the university.
- 5-00:01:41  
Lage: Sort of like Irvine.
- 5-00:01:43  
Kennedy: A lot of different types of residential accommodations, shops and so forth. What happened somewhere in the seventies and into the eighties, the land became so valuable that rather than be a really huge support of community, it became more commercial. If you go up the road a little bit, where the University Town Center is, there's a lot of high-rise—it's almost like a second downtown—a lot of high-rise buildings, offices. There was some, I think, disappointment that the city yielded to changes in the plan for the surrounding area and not provide more housing. On the other hand, there are condos and apartments and townhouses. There's an area called University City, in which there are a lot of single-family homes, but a lot of the land did get used up for commercial purposes. That's probably too bad.

5-00:02:39

Lage:

Was that something you worked with the city on?

5-00:02:42

Kennedy:

It actually happened before my time. I just think that, like in a lot of areas, a lot of cities where land becomes very valuable, in the end the developers wear down the process because it's a higher economic use of the land than building housing, to turn it into commercial. We did participate with some of the developers later in the eighties in the development of some of the projects, and we even lease space, office space and whatever.

5-00:03:22

Lage:

In University Town Center?

5-00:03:24

Kennedy:

Yes. And also I bought two buildings up on the northwest edge of the campus that were developed as part of Torrey Pines Research Park. We bought two buildings there for administrative space, as opposed to building an administrative building on campus. I bought the old Aerojet General headquarters building when they moved to Sacramento sometime in the eighties. Got it at what they call bargain sale, so they got a big tax write-off, and we got an inexpensive but very nice building. Actually, it sits on the eleventh hole of the Torrey Pines Golf Course.

5-00:04:08

Lage:

Not bad!

5-00:04:10

Kennedy:

Pretty nice place. And then we bought a spec [speculative] building that had been built by a developer right next door, so we have most of our back office administrative, across the street from the campus, but in a nice location.

5-00:04:26

Lage:

Yes. Not using your prime academic space.

5-00:04:29

Kennedy:

Right.

5-00:04:31

Lage:

Let's talk about technology transfer. You opened the first office of technology transfer.

5-00:04:33

Kennedy:

I did.

5-00:04:35

Lage:

Give me some background on that. What was happening? Why was it necessary?

5-00:04:37

Kennedy:

I was very much involved with the systemwide efforts in tech transfer, and I served on a number of committees. Going back into the seventies, I served on a committee that looked at university-government-industry relations and served on a committee that was trying to think about and revise the university's patent policy that Bill Frazer, who was then vice president, chaired. I became really good friends with Roger Ditzel, who was

head of the university patent technology—I guess it was called copyright something office in those days. It became clear down here that the university was going to be, in conjunction with the city and community, potentially a major economic driver because there was a lot of research being done here. The place was really beginning to blossom in terms of its federal support of research and support by industry of research at UCSD.

5-00:05:56

Lage:

With grants?

5-00:06:00

Kennedy:

Yes, grants from industry or contracts with industry to do research. And as we got more and more into these relationships with industry and some faculty members leaving the university and starting companies, like Hibertech started here, which was one of the big success stories. Ivor Royston left the university and started Hibertech, which later got sold to Eli Lilly. It was a big driver here. Irwin Jacobs, who now has Qualcomm but started another company, came out of the faculty, started a company. I can't remember the name of it any longer, but he sold out and then started Qualcomm, which was a huge success in the nineties.

5-00:06:42

But anyway, it became really clear—and also because Dick Atkinson was very interested in the university-industry relationship and in economic development, and really wanted us to be looked upon favorably by business and industry. And so developing these relationships with industry and the conditions of developing agreements with industry and the disposition of intellectual property was something I had a big interest in, and so we decided to hire someone who had that expertise. I recruited someone who came from Northwestern University. His background was maybe physiology. I'm not sure. But he was a Ph.D., let's say physiologist, but had worked as a patent officer at Northwestern for many years, had a good reputation, was involved nationally in university patent activities. We brought him here and started the technology transfer office.

5-00:07:49

One of the aims was to have a system delegate as much responsibility and authority as they were willing to give us, down to the campus, so we could be more independent. There was a bit of resistance to that, for good reason. Somewhere along the line, Ron Brady, in sort of recasting the tech transfer office, Roger Ditzel retired, and they brought it—in fact, I chaired the search committee to bring in the new person, Carl Wooten, as the head of the systemwide technology transfer office. And then later, when I became vice president, Carl worked for me for a while before he left.

5-00:08:33

But they had I think the slightly different idea systemwide. The idea was to really use this as an economic driver for the state. My view was, and remains, that technology transfer can generate revenue, but it's never going to generate huge amounts of revenue in comparison to other fund sources for the university, like federal contracts and grants or the private support of research or the state budget or whatever. It can complement that, but it's never going to be a tremendous revenue generator, because it's just the nature of the business. But there were a lot of ideas about creating companies and the university having equity and so forth.

5-00:09:19

Lage: The university, itself, not just the faculty.

5-00:09:24

Kennedy: The university, itself, right. And, again, for every success there's a whole bunch of failures.

5-00:09:26

Lage: Right.

5-00:09:29

Kennedy: The really big successes, the Qualcoms of the world, are one out of a hundred or a thousand companies that are started. Nobody is good enough to predict exactly which ones are going to be successful and which ones are going to fail.

5-00:09:44

Lage: You think that was the vision coming out of Oakland.

5-00:09:46

Kennedy: Yes, the vision was—at one time, there was a thought of actually creating two separate corporations, a not-for-profit and a for-profit, which would own and license the university's technology. The not-for-profit would own the technology, and then would spin out companies in which the university would have a piece of ownership of a new company, in the for-profit arena. This potentially, because of the stock prices running up, [could] generate huge amounts of money. I guess I never quite saw it that way because I couldn't figure out how you were going to be that successful, in the big picture. You might be successful with one. You might invest in a hundred and be successful with one. If you looked around the country at other places that had done that, actually made investments in setting up these kinds of corporations, there weren't a lot of successes out there. There were a lot of failures but not many successes.

5-00:09:51

And then I also felt that technology transfer was something that had to be an adjunct and a supportive operation for the faculty because the faculty are the ones that are generating the technology, not the administration. We don't do research, they do research. And so we ought to do what they needed in order to support their efforts. The most important thing for most faculty members is the support of their research, not that potentially they might get wealthy from some technology. I mean, some of them would like that and some of them have gotten wealthy, but most faculty members are worried about where their next grant is going to come from to support their research, because that's how they do their research; that's how they get their rewards, to go back to our incentivize and motivate. If the administration helped the faculty in their relationships with industry to generate those research dollars, then that's important. Technology transfer, I don't think is every going to generate the same level of support that the university generates from the support of research by the private sector.

5-00:12:00

Lage: So these are two different ways to go.

5-00:12:09

Kennedy: They are two different ways to go. They're very much intertwined, but they're different ways—we felt we wanted, in a sense, a service operation down here, and if we were

lucky, we might generate some revenue from it. But most tech transfer offices spend more than they generate.

5-00:12:20

Lage:

So you didn't have big hopes for this office, then.

5-00:12:24

Kennedy:

My hopes were that it would help us develop better relations with industry, support the faculty, and at least generate enough money to support itself, and hopefully maybe generate some extra money.

5-00:12:32

Lage:

Weren't there also issues, though, of the ethics of faculty—how much money should faculty be making off their research and the ethics of investing in companies or starting companies?

5-00:12:41

Kennedy:

There has been an evolution at colleges and universities in terms of the appropriateness of relationships with industry. Back in the sixties and seventies, there were a lot of faculty members who thought that it was totally inappropriate for the university to have a relationship with industry because it was profit motivated and it was going to develop a behavior on the part of the faculty that was too profit motivated. That wasn't good for the faculty. Faculty should do research because it's an intellectual pursuit, not because it has some economic value.

5-00:13:30

And I think we went through an evolution where the faculty, in the main—not all of them, but I think in the main recognized that, to a certain extent, the university, as a recipient of federal dollars as well as private dollars for research, has a responsibility to see that, where applicable, that research gets out into the marketplace for the good of the U.S. I think most faculty see it that way today, not all faculty. That doesn't mean that everything has to make a dollar or be profit motivated, but that if we have something that needs to get out there and can be beneficial, that we have an obligation to get it out there.

5-00:14:16

One of the big watershed pieces of legislation was the Bayh-Dole Act in 1980, which gave the universities who were recipients of federal funds title to property that was developed with federal funds. That was monumental, because, again, up until then, the universities didn't have much incentive because government owned the technology.

5-00:14:41

Lage:

So if you had a government grant and you developed something—

5-00:14:45

Kennedy:

The government owned it, and the government wasn't very good at marketing it, and when you wanted to market it, then you had to go through the government bureaucracy to get the government to agree that you should license it to XYZ Company. It was very cumbersome. Now the university owned the technology, so there was more of an incentive again, motivation for the university to license that technology, one, because we had an obligation to do it because it was generated from federal dollars or whatever

or potential private dollars, but also that we might be able to generate some income from it, and we'd share in the profit from that technology.

5-00:15:24

Lage:

Does the university share the patent with the faculty member?

5-00:15:32

Kennedy:

The university owns the patent. When you become an employee of the university (you probably have forgotten this)—

5-00:15:36

Lage:

No!

5-00:15:40

Kennedy:

—you signed a patent agreement.

5-00:15:43

Lage:

Oh, I have forgotten that, yes.

5-00:15:44

Kennedy:

Yes, we all do.

5-00:15:46

Lage:

I haven't invented anything yet.

5-00:15:48

Kennedy:

No, and you probably won't, but you still signed the patent agreement, as does every university employee, faculty and staff. What that says is that anything that I conceive of or invent during my tenure at the university belongs to the University of California. If you're a faculty member and you get a federal grant, you invent something, the university owns the patent. There's no question about it. We have a policy that says if we license that technology and if revenue is generated, the faculty get a percentage of the net revenue that's generated. The policy has been all over the place over the years in terms of what that percentage is. I think at the moment it's 35 percent of the net.

5-00:16:26

Lage:

And is that worked out on a systemwide level?

5-00:16:29

Kennedy:

That's a systemwide policy.

5-00:16:31

Lage:

So you weren't working that out here.

5-00:16:34

Kennedy:

I was on a committee that was active in that arena, and when I went up to the system in '93—and we'll get to that later—I did chair a committee that revamped the whole technology transfer policy of the University of California. I spent a whole year or fifteen months doing that.

5-00:16:54

Lage:

Along the lines of—we'll talk about that.

5-00:16:57

Kennedy:

We'll talk about it later, but pretty much along the lines that we've been chatting about. So we created the office down here, with the agreement of the system, with Ron Brady's agreement and with Roger Ditzel's and then later Carl Wootten's agreement. They gave us some flexibility. It was something we had to earn over time. I think because we hired someone who had been a faculty member, who had a Ph.D., the faculty I think respected him, and so he was able to work with the faculty in terms of negotiating arrangements with industry and so forth.

5-00:17:43

Lage:

So his goal was to get some of the patents into the—

5-00:17:45

Kennedy:

Yes, but also to make sure that we were negotiating good deals with business partners and that we weren't giving anything away that we shouldn't give away, just doing it on a businesslike basis. Again, it's in a sense a resource-generating activity.

5-00:18:04

Lage:

What about issues like faculty investing in the companies?

5-00:18:09

Kennedy:

Those are all conflict-of-interest, conflict-of-commitment kinds of things that have to be dealt with. One of the interesting things in California is there's a state law that requires disclosure when you have business dealings if you're a university employee, and so, in a sense, the university has always had to worry about that. I remember when the law went into effect back in I guess the seventies sometimes. These conflicts were dealt with initially through these disclosures. There was, there is nothing wrong with someone, a faculty member owning a company or having stock in a company as long as the conflict is managed if there is, in fact, a conflict. There are conflict-of-interest committees that worry about these things.

5-00:19:09

On occasion, when a faculty member really wants to be involved, like be an officer of the company or something, then the best thing is for he or she to go on leave and go do that. And then if he or she decides that's where they want to spend their life, then they should resign. And if they decide they really want to be a faculty member, then they should come back. You really get into worrying about it when the faculty member is still here; he has a piece of the company in terms of stock; the company is supporting his research—because you don't want research directed externally; you want research directed by the university. But then we have committees that sort of examine these things.

5-00:19:52

Lage:

Are these Academic Senate committees?

5-00:19:54

Kennedy:

It's a committee that is required under the university's policy that implements the law, and most of the members are faculty members. But there are administrative people on these committees. Whenever a faculty member gets a contract or a grant, with the company in which he or she has an interest or serves as a consultant or whatever, it has to go to the committee and be reviewed.

5-00:20:21

Lage: I can see it becoming extremely dicey.

5-00:20:24

Kennedy: It's very dicey, and it's a problem that every university in the country faces. Some universities have taken a very liberal point of view; some have taken a very conservative point of view. Probably the most conservative is MIT. I'd say the University of California is someplace in the middle. I think we've tried to be flexible but make sure we do our due diligence and that we avoid, to the extent possible, conflicts. And then there's also the issue of conflict of commitment. That is if a faculty member is spending a lot of his or her time pursuing the interest of a company in which they have an equity interest, are they meeting their university obligations in terms of teaching, research, and public service, or are they spending all their time pursuing the interest of the private company? And so conflict of commitment sort of crept into this. Sometime in the early nineties we start talking about conflict of commitment in addition to conflict of interest.

5-00:21:25

Lage: I think it would be very hard to resolve, given the nature of the faculty and the degree of autonomy.

5-00:21:31

Kennedy: And it's very emotional. Faculty get very emotional about it.

5-00:21:31

Lage: On both sides.

5-00:21:33

Kennedy: On both sides.

5-00:21:34

Lage: How do the humanists feel about it?

5-00:21:35

Kennedy: Generally they're on the extreme conservative side because generally they're not the recipient of those kinds of opportunities. But there are still some faculty in the sciences—there's one faculty member who's still active at UCSD who recently was quoted in the paper in an article on tech transfer, being opposed to university-industry relations, as really compromising, in a sense, the purity of what goes on at the university. I don't believe most of his colleagues think that way anymore

5-00:22:14

Lage: Even things that you mentioned, having industry close by and on the campus and encouraging interaction—at Berkeley, at least, the Novartis thing is huge.

5-00:22:24

Kennedy: And Novartis was very controversial.

5-00:22:26

Lage: Yes, a huge controversy.

5-00:22:29

Kennedy:

Although it went through an excruciating process because I reviewed all those documents. As far as I'm concerned and as far as President Atkinson was concerned, and the chancellor, there was nothing wrong with the Novartis. It was within university policy; it was legal, and people could have differences of opinion. I mean, that was an international issue. I went to an international meeting in Scotland about four or five years ago, and there was a presentation that was criticizing the University of California for entering into this agreement. I actually got up in Edinburgh, Scotland, and defended the university in that regard. I said, "Hey, look, it went through a review, and it didn't compromise any policy." In a sense, it's a pilot project.

5-00:23:21

Lage:

Did it compromise people's sort of—the integrity of the research process?

5-00:23:28

Kennedy:

I don't believe so. I don't believe so.

5-00:23:29

Lage:

Was it that different from things—we're jumping ahead here, but as long as we're talking about Novartis, was it different qualitatively from things on other campuses?

5-00:23:37

Kennedy:

The major difference was that it supported the activity of a large, relatively large group of individuals in the environmental sciences. Most deals with industry are not for looking at technology from a total department or institute or whatever; it's an individual faculty member or maybe two or three faculty members, this said Novartis was going to give a certain amount of money to the School of Environmental Sciences and, in return, we get first rights of refusal for all the technology coming out of there. Not a guarantee, just first right of refusal for technology coming out. [bells ring] And so it captured a group of faculty who were in a single discipline. That's unusual. That doesn't happen very much. In fact, I think it's the only time it's happened at the University of California.

5-00:24:39

Now, there was one at the Scripps Clinic a number of years ago, in which they did a similar deal with a drug company, and I'm blocking out now on which one of them—it doesn't matter. And they really got criticized, not only criticized but the federal government came in and investigated because a lot of their research was supported with federal dollars. They cut this deal with a foreign company in exchange for giving them first rights of refusal for the technology developed with federal funds, got a big slug of money for it, and a lot of people in Congress got their cackles up. Again, I don't think they did anything illegal, but it looked bad.

5-00:25:24

Lage:

Did the Berkeley plan deviate from that?

5-00:25:26

Kennedy:

The major difference in the Berkeley plan was, one, it was done completely out in the open, whereas the Scripps deal was kind of done and then announced. Berkeley actually went out with an RFP [request for proposal] and had a number of companies—and they wrote all the safeguards in that if anything came out and was going to be developed, it

had to be developed in the U.S. and so forth and so on. I think they made sure that all of the requirements of the Bayh-Dole Act and of the university policy, state law, and, to the extent that they could, that it didn't appear to be inappropriate from a conflict point of view, although some people believe that it was. But I think they went out of their way to make sure that it was done out in the sunlight.

5-00:26:13

Lage: So all the criticism was in the sunlight, too.

5-00:26:15

Kennedy: Right, the criticism was in the sunlight.

5-00:26:16

Lage: All on the table.

5-00:26:16

Shall we try to finish up talking about San Diego before we have a break?

5-00:26:19

Kennedy: Sure.

5-00:26:25

Lage: I want just kind of to talk in general about—since you're moving to the president's office soon, in our story here—what were the relations like with the president's office when you were here on campus?

5-00:26:41

Kennedy: I believe that the San Diego campus, before and after I became involved in the general campus administration, had a good relationship with the Office of the President. I mean, obviously there are moments in time when relationships take a nosedive, and I could talk about a few of those, but I think in general the campus was viewed as reasonably well run, a campus that tried to follow university policy and, in a sense, be a good corporate citizen, if you like. There were the inevitable controversies having to do with did we get our fair share of resources? We talked about indirect costs earlier. That was always a big issue.

5-00:27:32

There was always the issue of a young campus versus a Berkeley, UCLA, that had a richer resource base from state funds than the newer campuses did. Historical, but it was there, and we were all getting resources—

5-00:27:49

Lage: Why did they have a richer resource base?

5-00:27:52

Kennedy: It's historical. They were there first. We all moved towards formula funding later on, and the newer campuses never got that base of funding; we just got the funds on the formula, and so there was never an opportunity to grow a bigger base. But all these are, in a sense, growing pains. But I think relationships generally were pretty good. When I was in the medical school, I participated in systemwide activities, mostly health sciences in those days. I was on a lot of committees, and there were meetings of my counterparts around the system, and I was active in meeting with—then it was the

assistant to the president for health affairs and then later became vice president for health affairs. So I was quite active. And when I went to work for Dick, of course I became more active in Office of the President, systemwide kinds of activities.

5-00:28:54

But I always felt, and I still do and tried to carry this when I went up to the president's office, is that the University of California is a reasonably flexible organization and that you can get most things done in the university by following the rules and regulations and policies of the university; you don't have to do things that are outside of policy. On those occasions where you can't do them, reasonable people will listen to suggestions for potentially changing policies, to try and get things accomplished. We always felt that—sort of taking a very direct approach and looking at the Office of the President as colleagues and as people that could help us get done what we wanted to get done. That's not to say we always agreed. Clearly, we had our differences on certain issues. But generally I think we enjoyed a good reputation of playing within the rules.

5-00:29:50

Lage:

You didn't see it as an "us and them"?

5-00:29:51

Kennedy:

I had lots of good friends in the president's office. I used to spend a lot of time up there because I always felt getting things done administratively in a bureaucracy had a lot to do with personal contact and knowing people, not just when you have a problem but just getting to know people and then try to share information so when you did have a problem, you picked up the phone and you knew who you were talking to. It was somebody that you had a relationship with. I used to spend a lot of time—I had a reputation for roaming the halls of the president's office, visiting people, in order to get them to know what our issues were, what we were trying to accomplish in San Diego.

5-00:30:41

Lage:

Were you lobbying?

5-00:30:43

Kennedy:

You could call it lobbying. I think it was information providing, but in a sense it was lobbying, sure. And whenever we had visits from the president's office, or we used to have annual visits from the legislative analysts, we always went to great lengths to put on a good show and make sure that we did our homework and that the president's office would be proud of what we did down here, and raise issues that we wanted to deal with, but do it in a way that was friendly and problem solving, not confrontational.

5-00:31:21

Lage:

Were there particular issues that you lobbied on that we haven't talked about?

5-00:31:22

Kennedy:

Capital funds, getting our fair share of capital funds because we were growing, needed buildings, and making sure we were getting our fair share of the operating dollars, FTEs, issues of graduate-undergraduate ratios, which were a big to-do. Dick Atkinson felt very strongly that some of the formulas that were being developed needed to recognize post-docs because we had a lot of post-docs in San Diego, and we got no credit for them. We got no credit in operating funds, space, student-faculty ratios, whatever. Dick felt very strongly that post-docs contributed a lot and we should get

some credit for those. So things like that, we kept hammering away. I think over time we got some of the—

5-00:32:12

Lage: You wore 'em down.

5-00:32:13

Kennedy: We wore them down.

5-00:32:14

Lage: Then you took the place over.

5-00:32:17

Kennedy: Then I took the place over.

5-00:32:16

Lage: [Laughs.]

5-00:32:16

Kennedy: Or we took the place over.

5-00:32:21

Lage: You got to know the regents, too, and made presentations at regents meetings?

5-00:32:30

Kennedy: One of the things that I enjoyed when I worked for Atkinson was that—he kind of viewed me, I think, as sort of the chief operating officer of the campus. I didn't have that title but—[Telephone rings.]

5-00:32:47

Lage: There you go. I'll put this on pause.

5-00:32:47

[Tape interruption.]

5-00:32:49

Kennedy: I forgot where we were.

5-00:32:53

Lage: We were talking about relations with the regents when you were still on the campus.

5-00:32:59

Kennedy: In any event, Dick sort of used me as a chief operating officer. One of my responsibilities in that role was to make sure that regents items were submitted and that they were well done and that all the requirements to work with the president's office, in terms of items that came from the San Diego campus—and also I started going to regents meetings with Atkinson. The theory in my head was that if I'm going to have this responsibility to produce things that are going to get through the president's office and the regents, I need to understand the process. How do you understand if I you can't be there and hear what goes on? So I started going to the board meetings. I went, I think, almost to every board meeting the whole time I was working for Dick.

5-00:33:49

Lage:

Through the eighties.

5-00:33:52

Kennedy:

It was really important because—well, two things. One is you got to see what the regents' expectations were and the way in which the regents were dealt with. That allowed me to do items and put the kind of things together—it helped me to prepare the chancellor for his role at the regents meetings, but also it was great place—I'll use the term you used, lobby, because all the people from the president's office were there, and at breaks and at lunchtime you had an opportunity to talk to people, and you could get your points across, continue that information.

5-00:34:30

Lage:

Were you lobbying regents? I thought that was a no-no.

5-00:34:35

Kennedy:

I never lobbied regents, no. Some regents, you got to know just because, because you made a presentation, say, on the long-range development. I mean, the times I went up to the table as a vice chancellor were—I can't remember how many, but it wasn't very many, because mostly it was the chancellors or the vice presidents or the president making or people in the president's office making the pitches. But occasionally, if there were something like a long-range development plan, or I think when we did the lease of our land for the housing in the conference center, I think I made that presentation. It was my idea. It was my project, and I was the most knowledgeable person, so I think I made that presentation to get board approval for that.

5-00:35:16

But, you know, you get to meet people. In those days, I think the only regent—there was a regent from San Diego, Dutch [DeWitt A.] Higgs, when I first became vice chancellor, and then later I mentioned the architect, Frank Hope. So you know these people because they're from San Diego. I wouldn't say it was lobbying, but I think it was just some recognition that—and sometimes a regent would call if they had a question. Particularly a regent from San Diego might call and say, "Well, I read this item. I don't understand it. Tell me about it" or whatever.

5-00:35:56

But the real important thing for me was to understand the regental process, which is kind of arcane.

5-00:36:02

Lage:

[Laughs.] Do you want to talk about that now?

5-00:36:07

Kennedy:

No.

5-00:36:08

Lage:

Or should we save it for later?

5-00:36:09

Kennedy:

Let's save that for later.

5-00:36:09

Lage: Okay.

5-00:36:13

Kennedy: In order to make sure the campus was doing the right things and make sure the chancellor was doing the right thing.

5-00:36:19

Lage: So then you knew how to make these presentations.

5-00:36:27

Kennedy: Right. In those days, the board met all day Thursday and Friday morning. Thursday were committee meetings, and then Friday the full board met and approved whatever recommendations the committee made and took up other business. Sometimes the chancellor would decide that he couldn't stay for Friday, and so I was always there, to make sure that if anything came up at the last minute involving a San Diego item, that there was somebody there to respond to it so we didn't lose an approval because there was nobody there to take care of it.

5-00:36:59

Early on in my tenure as a vice chancellor, they used to allow the vice chancellors to sit in in the closed session of the board, the non-public sessions. Later on, they passed a rule that said only regents officers (meaning chancellors, vice presidents, and so forth)—vice chancellors are not officers of the university. In any event, they restricted—because too many people were in those sessions, so they restricted—except if Dick wasn't there, then I could get permission to sit in, or if it were an item for San Diego in which it was done in closed session, if I had something to contribute, I was allowed in. But in the early years, I sat through a lot of those closed sessions, which, again, was a big part of my education, to help the campus. But later on, when I became vice president, it was invaluable to have had that experience, because I didn't go into dealing with regents, which was a big part of my portfolio as vice president, unknowledgeable about the process.

5-00:38:15

Lage: Later we'll get some views over time, your views of the regents and how they worked.

5-00:38:23

Kennedy: Again, I had a very good relationship with Ron Brady. I really believe that. I think Ron did a very good job as vice president. He did a lot of creative and innovative things. He was somebody that I could call and bounce ideas off of. I had a really good relationship with the people on the budget side, [William] "Bill" Baker and Larry Hershman, as a vice chancellor. Larry and I are still very good friends. Larry is still active, and was a big encourager of my taking the vice presidency. We'll get into that later. I mean, I knew the president. I knew Saxon. I think I mentioned earlier that first encounter with David Saxon.

5-00:39:07

Lage: Right.

5-00:39:09

Kennedy: Whenever I see David Saxon now—I can't say we're friends, but he knows who I am, and we chat a little bit about things, and certainly David Gardner knew who I was. Even

once, when I was a vice chancellor, David Gardner called and asked me to testify in behalf of the university at a congressional hearing because he thought I was the best qualified person to do it. It was on indirect costs. I testified with three university presidents.

5-00:39:38

Lage: That's interesting, that he—

5-00:39:39

Kennedy: Princeton and Michigan—I can't remember who the third was—before a congressional committee on the indirect cost issue. But David and Ron felt that I was the right person to represent the system.

5-00:39:48

Lage: So you were really known as somebody who knew that area.

5-00:39:51

Kennedy: Yes, I had a reputation of knowing the indirect cost arena very well, and worked nationally in indirect cost issues and other research relationships with the government. I was always very active nationally in various organizations. Again, I thought it was good for the university, good for me, but also good because policies are made sometimes or changed that way, and if the University of California has somebody there as part of the debate, then your point of view gets to be considered. If you're not there, it's not considered.

5-00:40:26

Lage: Was the testimony that you gave over a change of policy issue? It must have been.

5-00:40:32

Kennedy: It had to do with modifications to the principles that are used between universities and the government in the indirect cost arena, the government, Office of Management and Budget [OMB], always wanting to restrict it and, of course, universities trying to get what they view as their fair share of recovery in that arena. That battle has been going on for thirty years or whatever, and I've been—was; I'm not any longer—but was part of that battle for thirty years.

5-00:41:00

Lage: And was the trend towards greater indirect cost recovery?

5-00:41:02

Kennedy: Yes, it was a very up-and-down kind of situation. There were times when we felt we made some gains, and there were other times when we had losses, where they restricted reimbursement; other times, where we were able to get them to loosen up a little bit. I spent a lot of time working on committees to generate data to try to prove that the universities were not getting their fair share. I spent a lot of Saturdays at a meeting with a deputy director of OMB for a whole year—I don't know, a dozen or so Saturdays, flying back to Washington, meeting informally to try and come to grips with some changes to these cost principles that would satisfy the government requirements but also help the universities in terms of getting a better recovery. It's a battle you never win. It's just a battle that—

5-00:42:04

Lage:

Goes on.

5-00:42:04

Kennedy:

And continues to go on.

5-00:42:08

Lage:

I don't know if I should even ask you this—it doesn't seem right after all we've talked about. Would you want to say anything in general about Atkinson as chancellor? His style?

5-00:42:20

Kennedy:

Sure. One is the first time I met Dick was when he was chancellor-designate. He visited the campus. I was in the medical school then. We had an acting dean. The dean was, as I mentioned earlier, on sabbatical leave back in Washington, as assistant secretary for defense for health affairs. Dick came to visit the campus, and a portion of the time was set aside for him to talk to the people in the health sciences, both the School of Medicine and the medical center. The acting Dean, Marvin Dunn, and I were colleagues. He was the associate dean for academic affairs, and I was the associate dean for administration.

5-00:43:12

We met with Dick jointly. Marvin and I prepared a paper for Dick that, in a sense, were the strengths and weaknesses of the health sciences, which we presented to him. It was a brief document, five or six pages. He, I think, was quite pleased and impressed that we had given him something that gave him some hard information, that wasn't just chit-chat. I mean, here are some really good things about the medical school and the medical center, and here are some issues, challenges that we have. We went through that with him, and we actually accompanied him down to the *San Diego Union* newspaper, where he was to meet with the editorial board, as the new chancellor, and also went to the medical center with him. I was with him for quite a bit of time.

5-00:44:00

One, he was clearly extraordinarily bright and a very sort of aggressive kind of an individual in terms of asking questions, a very inquisitive individual. But he said to me, "Do you ever come to Washington?" I said, "Yes, I get there frequently." He said, "Next time you're in Washington, stop by and see me at the Science Foundation." I took that literally, seriously, and later found out Dick said that to a lot of people—

5-00:44:30

Lage:

[Laughs.]

5-00:44:31

Kennedy:

—just as a courtesy, but I actually—

5-00:44:33

Lage:

You thought he meant it.

5-00:44:37

Kennedy:

I thought he meant it. So the next time I went to Washington, I called and made an appointment, and I went to see him, and we had a nice chat. He spent about half an hour with me, and then had me talk to Bruce Darling, who was going to accompany him to

San Diego, the first time I met Bruce. In a sense, I got to know Dick pre his emergence here as the chancellor. And early on in his tenure, because we had an acting dean, and both Marvin and I had been attending the previous chancellor's meetings, because we had shared the responsibility for the medical school, both of us kept coming when Dick became chancellor. He never said, "Kennedy, you shouldn't be here." So I kept going to his chancellor's once-a-week meetings with the vice chancellors, and so I got some more insight into Dick.

5-00:45:25

I think what I found out was, and I still believe this, is, one, Dick is a very focused individual. He picks those things which he thinks are very important and then spends his time and effort sort of pursuing those. He doesn't want to deal with the details and the day-to-day stuff, and so he's a great delegator. If you have his confidence and he thinks you're a real competent individual, then he's going to delegate. You want to keep him informed, so he doesn't get in trouble, but he doesn't want to know about much junk. He wants you to focus—

5-00:46:04

Lage:

He doesn't want you coming to him: "Should I do this or that"?

5-00:46:09

Kennedy:

No, "You go do it. It's your responsibility. You carry it out. You've got the authority. You go do it. And if something goes wrong, I'm going to hold you responsible, but if you think I should know about something because it's going to come back to bite you or I'm going to hear from the faculty about it, you need to let me know." I think Dick and I developed sort of a rapport early on. A couple of times when I was still in the medical school, he had things he didn't quite understand about the health sciences. I remember one Saturday—or he called me one Friday and said, "Do you have some time tomorrow, Saturday?" I said, "Yes." He said, "Would you come over to University House?" He said, "I need you to tell you about the medical practice plans. I don't understand it." I went over and spent two or three hours with him. I went through the whole—because I had been heavily involved in the development of the medical practice plan and compensation of academic physicians. So I went over there and went through the thing, A to Z, with him, so he understood it.

5-00:47:10

So we developed kind of an early-on rapport, and then when I became director of planning and budget, as we talked earlier, under this sort of reorganized administration here, over a very short period of time, Dick kept throwing additional responsibilities—and shortly after a year or so as director, I became vice chancellor, and he kept lobbing more responsibilities. I was relatively young and aggressive in those days, and I was just taking it all in and running with it.

5-00:47:43

Lage:

So he's a good delegator.

5-00:47:46

Kennedy:

Good delegator.

5-00:47:48

Lage:

And is he a good chooser of people to delegate to?

- 5-00:47:49  
Kennedy: I think so. And Dick is a very quality-oriented person. He has impeccable academic credentials, so the faculty respected his academic background—National Academy member and so forth. One of his major thrusts was to make sure that we maintained and improved the quality of the faculty. He spent a lot of his personal time helping recruit.
- 5-00:48:14  
Lage: Focused.
- 5-00:48:14  
Kennedy: Focused on that, developing relationships with business and industry in growing the resources of the university, really making the quality of the place better than it was. And I think a lot of Dick's creative thinking—you know, he was chancellor for fifteen years. When he left here, I think people felt really good about his chancellorship.
- 5-00:48:38  
Lage: And that's a long time to be chancellor.,
- 5-00:48:40  
Kennedy: That's a long time to be chancellor, and I think people in the community appreciated the contribution that he made to the economic development of San Diego by growing all these programs here at UCSD that grew high-tech, biomed industries in San Diego. UCSD is a major player in that.
- 5-00:49:00  
Lage: That didn't come up, talking about technology transfer.
- 5-00:49:04  
Kennedy: That was a big part of it, though.
- 5-00:49:07  
Lage: The kind of background to it was—
- 5-00:49:08  
Kennedy: Yes, these companies that spun out—I think now more than a hundred companies have come out of UCSD. A lot of them didn't make it, and some of them were bought out and no longer have their identity, but in the eighties there were a number of companies—Hibertech, the biggest success in the eighties, and then later, Qualcomm. But a lot of other companies came out and merged with bigger companies and so forth. But they generated an additional economic base in San Diego at a time when the defense industry was beginning to slow down in San Diego. At one time, General Dynamics was the biggest employer in San Diego County, and then they started to go south, in a sense, and some of the aircraft industry—Lockheed were big employers here, and that started to dwindle.
- 5-00:50:05  
Lage: And the navy.
- 5-00:50:20  
Kennedy: Well, the navy actually went down. Now it's come back up again. The navy is a much bigger economic force now than it was in the eighties. So UCSD in a sense filled some of those gaps by not creating big companies that employed tens of thousands of people

[but] a lot of small companies that employed tens or twenties or hundreds of people, and contributed to the economy.

5-00:50:39

Lage:

I think that's a good end to our discussion of San Diego. Is that okay with you?

5-00:50:39

Kennedy:

I think so.

5-00:50:39

Lage:

We'll cut off here and take a break and then come back and look at the system.

5-00:50:39

[End of interview.]



[Interview 3—afternoon session: November 17, 2003]  
[minidisc 6]

6-00:00:00

Lage:

Okay. So we are back on after lunch. So this is our afternoon session on minidisc six. We sort of finished up with maybe a too brief treatment of San Diego, but I think that we did pretty well.

6-00:00:17

Kennedy:

Okay.

6-00:00:17

Lage:

Let's talk about how you got to the president's office in 1993.

6-00:00:24

Kennedy:

Okay. Well, as I think most people who know the University of California know that there was a fair amount of controversy at the tail end of the Gardner administration. When Jack Peltason became president in October of 1992, and actually before he became president, there was the appointment of the transition team that Chancellor Young chaired, and I was a member of that transition team. I don't know who appointed me to it, but I was a member of it.

6-00:01:04

Lage:

Was the transition team a result of the controversy?

6-00:01:08

Kennedy:

The transition team, I think, actually was Jack Peltason's idea in order to provide him with some input and a framework about how he should organize the president's office and in a sense conduct the business of the university when he became president, given that there was all of this turmoil that was going on. For whatever reason, my predecessor Ron Brady was sort of a lightning rod in all of this. Everybody would agree with that, including Ron [Ronald] Brady. For good reason or bad, he was the lightning rod and was I think in certain quarters blamed for a lot of the controversy that was going on.

6-00:02:06

Lage:

Be a little more specific now.

6-00:02:07

Kennedy:

Well, the thing that triggered all of it, at least from my perspective, first was the issue of the Gardner retirement package and the fact that there were certain compensation practices going on that had been approved by the board—at least by the executive compensation committee of the board, but that had not become public, were not known publicly and not probably known by all the Regents and certainly became political fodder when it became public. And you know there were all kinds of accusations in the newspapers and about special deals and compensation of officers and chancellors. And the way in which the president's office was organized there were two key vice presidents. Brady was one and [William] Frazer, who had already stepped down, the academic vice president, was the other. But I think Ron was viewed and his role was viewed as the chief operating officer of the university, which I think he was and did it very well. But—

6-00:02:47

Lage:

And the architect of these compensation plans.

6-00:02:51

Kennedy:

The architect of these compensation plans. An architect of, I think, a lot of innovative and beneficial things in terms of the retirement system and health benefits and the like that benefited the faculty and staff and everyone. And I think the compensation packages were not unusual in terms of what they provided to the president and the vice presidents and chancellors. I think that they were suspect because they were not public and this is a public institution. Politics being what it is. I think to a certain extent, perhaps, people in the system felt that it was a little rich, faculty and staff, because they didn't enjoy the same benefits.

6-00:03:17

Lage:

And there was the downturn and the budgetary problems.

6-00:03:19

Kennedy:

There was the downturn, and you know there were salary reductions and the like. But I think it is just that this was not known and suddenly it emerged at the time when the president was leaving, and then the regents sort of forgave some commitments, in terms of tenure for Gardner in terms of some of his retirement perquisites, so it just all kind of bubbled up, and it got pretty ugly actually. And there were a lot of people who were taking shots at the university: the press, legislators; there were audits. So there were a lot of things bubbling around.

6-00:03:52

I think if, and I don't know whether Jack made the decision but I assume that he did, to create this transition team, I think it was a very wise move to sort of "let's examine the way that things are organized and see if there ought to be changes made as I come in." So he and Gardner appointed the transition team jointly. Chuck Young chaired it, and I think the transition team did some good work and I think made some good recommendations. Not all of them were adopted. Some of them were. Some of them weren't. The one that impacted me the most was the senior levels of the president's office was reorganized with, in effect, the president and two senior vice presidents in a box called the Office of the President. So it was the president, the senior vice president for academic affairs and provost, and the senior vice president for business and finance. They changed it from Administration to Business and Finance. So when Jack became president—

6-00:04:51

Lage:

Now why was that so different? It had been two senior vice presidents before.

6-00:04:56

Kennedy:

Well I think the one thing—well, there were a lot of other things in the report, this is just the thing that impacted me—since this position opened up not too long thereafter, but I think the significance was that the interpretation on the part of a lot of people of the word "administration" was that it had a broader role than just in the non-academic aspects of the university, which were narrowly defined to be business and finance. While in my mind the administration in a university setting is not academic but non-academic kinds of things, I think in the minds of others it was viewed as a broader role, in that my predecessor was too involved in things that had nothing to do with the

business of the university. I think that is a fair statement. I don't know whether Ron would agree with it or not, but I think it is a fair statement. So I think this definition of having someone who had the title that had business and finance in it, in a sense, clearly defined what the role was going to be, and it was not having anything to do with academics. Then I think the introduction of the provost title was also to signify very strongly that that individual shared the academic leadership with the president and he was going to be the person who pursued academic things and the business and finance guy pursued business things.

6-00:06:21

Lage:

Now you were on that transition team. So did you take part in the discussion?

6-00:06:25

Kennedy:

I was. Yes, we talked about it a lot. I didn't then and I don't feel strongly about it now. I think titles are really for other people, I don't think titles really are important in terms of going to work every day and getting your job done. It is what you produce that is important and how people perceive your role. But I think it is fine and a reasonable signal in a sense as to what the responsibilities were. But the more significant part of the organization was that all the other vice presidents reported into that box and not directly to the president, so there was kind of a sorting out of other vice presidential responsibilities. And let me just give the example of the budget, which had reported directly to the president. When I went up there in '93, budget was reporting to the provost, and that was another thing that was debated a lot on the transition team. Should budget be an academic function, or should it be on the business side, or should it be independent? I think the wisdom was that the president and the academic side, the provost, really need to be involved intimately in the budget and in resource allocation because that is important to the academic mission of the university. I don't have a quarrel with that. That was not the case in San Diego. I was the budget person, I am a non-academic, but I did the job and I don't think I got a lot of criticism from the faculty. But it doesn't matter, and I think that is a fair way to go. So when I went up there, budget reported to Walter Massey, who was the provost and senior vice president for academic affairs.

Lage:

And which ones reported to which?

Kennedy:

Well, there were fewer vice presidents than there are now. Agriculture was kind of interesting. In a sense it didn't report to either of us, but Walter Massey and I had meetings with the vice presidents on a regular basis. We kind of sorted things out. I probably spent more of my effort in the medical centers, the hospitals, working with Con [Cornelius] Hopper, who was the vice president for health affairs. I wouldn't tell Con that he reported to me, but we had a relationship, because a lot of what Con did had to do with reporting to the board on the financial health of the medical centers. He needed our help, the business and finance, to do that. He couldn't do it on his own. So there was a much closer alignment. The vice president for university relations, Bill Baker, was sort of a staff—and I say this with all kindness and fondness of Bill—it was really in a sense a staff position. So he continued to have a lot of direct access to the president because that is what he needed, but Walter and I met with all the vice presidents on a regular basis. So there were a lot of decisions made by the two of us. We had a great relationship so there were no real issues.

6-00:07:58

Lage:

And how were you selected, to go back to the beginning [of the interview]?

6-00:07:59

Kennedy:

You know, when Ron announced that he was going to step down, and again I don't remember the specific timeframe of all of this but I assume that it was in the late fall or early winter of 1992, and there was a search committee appointed. All of the vice chancellors who were sitting in my kind of positions were automatically on the list; that is the way that the university does things. Everybody who is sitting in a position where the individual has the right background would be nominated for the position. But I started getting phone calls from a number of people who were encouraging me to be a serious candidate. I didn't know whether I really was interested or not. I mean, first of all, I was very happy in San Diego. I had a great job, worked for a great boss, I love living here. The campus was really on the move. There is a lot of exciting things going on. Moving to the Bay Area—

6-00:09:06

Lage:

Your wife had a job.

6-00:09:07

Kennedy:

My wife had a job. So we were very happy here in San Diego. We had just remodeled our house on the assumption that this was where we were going to retire. Anyway, I didn't know whether I wanted to put myself in the position of going into what I knew was going to be extraordinarily difficult situation given all the controversy. But I did start getting phone calls, including from people in the president's office. Larry Hershman called me a number of times and said, "You have got to be a candidate."

6-00:09:42

Lage:

And you knew everybody up there.

6-00:09:43

Kennedy:

And I knew everybody. I knew the organization. I thought I knew what some of the strengths and the weaknesses of the place were. Then I, at one point, I had a really long conversation with Dick Atkinson, because I was looking for advice. I said, "People are asking me to be a candidate and I am not sure what I really want to do." And Dick says, "Well, you've got to apply. You've got to be a candidate because you are the best person in the system to take the job. And it would be a great step up for you. You—how old was I at the time?—are fifty-five, so you've got one more big job before you retire. What a great way to go out, kind of thing." I said, "All right, well I don't know. Do I really want to leave La Jolla and get into that mess up there?" I talked to a few other people, and I talked to my wife a lot about it, and people kept on pressuring me. In a sense it just kind of happened. One day I can't remember who called, whether it was the consultant or whoever, "Well, are you or aren't you a candidate?" And I said, "Well, yes, I am a candidate." There was, I know, a faculty or a screening committee of some sort because I know there were inquiries made down here, because people had told me that they made contact. The process kind of went along, then before I knew it there was a short list of four people. I guess to this day I only know one of the other people that were on the short list.

6-00:11:21

Lage:

So these things were kept quiet?

6-00:11:24

Kennedy:

Well, they try to keep them quiet. I knew there were two external and two internal candidates. I, of course, knew I was one, because I was told, and somehow I found out who the other one was, and it was the vice chancellor of Berkeley, Dan Boggan, was the other internal candidate, and I gather there was one external who was someone not from an academic university background, but a business background. Then I think that there was someone from another university, but I don't know the names. At least, no one has ever told me the names, and I have never tried to find out—doesn't really matter.

6-00:12:05

Lage:

Did the president have quite a say in who he is going to be working so closely with?

6-00:12:07

Kennedy: Well, he was the chairman of the search team.

6-00:12:10

Lage:

Okay, so he—

6-00:12:11

Kennedy:

And there was a big, huge search committee. I will get to that in a second. But anyway, so in a sense it just happened. Suddenly I was a candidate, and once that happened, then I started to get really serious about thinking about it and doing some homework and trying to really understand what was going on. I did talk to Brady a couple of times. At one point I had dinner with Ron and his question to me was, "Why do you want to do this?"

6-00:12:48

Lage:

[laughs]

6-00:13:14

Kennedy:

"You had a great job, a great campus, a great boss, and you are reasonably well paid. Why do you want to get into what is a big political mess?" He said, "You just don't understand what you are getting into." I said, "Well, I probably don't." But I thought I did. Of course I didn't, but I thought I did. Ron's strong advice was, "Look, you ought to just stay in San Diego. Enjoy life."

6-00:13:14

Lage:

He must have really felt battered by that—

6-00:13:16

Kennedy:

Oh, I am sure he did. I am sure he did. But in any event, at some point I was contacted about an interview by the search committee. I did talk to the consultant. Actually I knew the consultant. She had done some work for me in the past and I went to LA and she interviewed me. That was more a list of questions that all of the candidates were asked so she could report to the search committee that the due diligence had been done and the background checks, and all those kinds of things. So I spent a couple of hours with her. But it was pretty, I guess I would say was ceremonial more than anything. Not very probing. But then I was called about going up for an interview and somehow I found out that Boggan was also a candidate. I don't remember how I found out, but somebody told me. I actually called Dan, and I said, "Dan I just want you to know that if you are selected I will be your biggest supporter."

He was, I think, a little taken aback by that. There was kind of a pause, and he thanked me and said, “Well, if you get selected I will obviously support you.” I obviously did that because one, I liked Dan—he was a great individual and a very good vice chancellor, but I also wanted him to know that I really meant it. That, yeah, I was a candidate, but this wasn’t, if I didn’t get it, it wasn’t the end of the world for me, and that I would support him and try to help him as best as I could. I went through the interview and it was in the—

6-00:15:14

Lage:

Was it probing?

6-00:15:16

Kennedy:

Well, it was a big committee. There were regents on it, there were chancellors, and there were faculty representatives too, as I remember. There were a couple of people from the president’s office. There must have been fifteen people in the room. In a sense it was intimidating. You sit in front of a table with fifteen people who are all sort of throwing out questions and staring. But once I got there and went through the first few minutes of it, I sort of was very relaxed about it. I had done my homework, had all the facts and figures that I could bring in my head up there. So I think I was able to respond to their questions reasonably well. Obviously, I guess I must have. I had known Peltason a little bit before as a chancellor. Not well, but I certainly knew Jack, and he knew who I was, and I think he knew me, but again, not well. Chuck Young was on the search committee. I knew Chuck very well, having served on the transition team, a lot of hours with Chuck as chairman of that.

6-00:16:41

Lage:

And he had strong ideas about managing.

6-00:16:43

Kennedy:

He did. He has very strong ideas about management. I remember Howard Leach, who, I don’t know if Howard was chairman of the board at the time, I can’t recall, but Howard was one of the regents who was there. Because I remember a question he asked me which didn’t strike me as odd, but people were asking me about university and my views about this and that, and Howard says, “Well, what does Mrs. Kennedy think about all this?”

6-00:17:13

Lage:

[laughs]

6-00:17:13

Kennedy:

And I said, “Well, she has been very supportive of me throughout my career, and we have talked it over long before I decided I was a serious candidate, and we agreed that if I were going to be a candidate that she would be supportive, and she is ready to move. He said, “Well, that is fine—just wanted to make sure.” But there was a lot of questions about organizations and budget and resources. People asked me about my background, and—I don’t, I mean it was kind of a big blur when I—

6-00:17:50

Lage:

Yes. I can imagine.

- 6-00:17:51  
Kennedy: —when I left. But it was one of those days when I felt like I had done a good job. Sometimes when you go through interview, “I really didn’t do a good job, or,”—
- 6-00:18:04  
Lage: I should have said this or do that.
- 6-00:18:05  
Kennedy: Yeah. “I didn’t have my head together, or whatever. But I just felt like I was really on, and I could answer any question and I did, in an honest and forthright manner, in an articulate manner where people understood what I was trying to get across. I don’t know, it was a few days later, and they interviewed all of the candidates in one day or maybe it was over two days, and I got a call, oh I don’t know, maybe two days later or whatever, from Peltason. Jack said, “You are my guy.”
- He said, “I am not quite finished checking with all the regents yet, so I can’t make you an offer, but you are my guy, and if you want the job it is going to be yours.” I said, “Thank you very much.” He did his due diligence worth of work and then called me again two or three days later.
- 6-00:19:01  
Lage: Now, would that be a job that the board had to approve?
- 6-00:19:04  
Kennedy: Absolutely.
- 6-00:19:05  
Lage: Oh they do.
- 6-00:19:06  
Kennedy: Yeah, it goes to the board. Any senior, well the bylaws have changed a little bit but any senior officer requires board approval and clearly—
- 6-00:19:19  
Lage: Chancellor, senior vice president.
- 6-00:19:20  
Kennedy: Yeah, vice presidents.
- 6-00:19:21  
Lage: All vice presidents.
- 6-00:19:22  
Kennedy: All vice presidents. I don’t think they—the old days they used to have to approve vice chancellors, but I don’t think they do that—salaries, yes—they have threshold for salaries, but I don’t think they approve vice chancellors appointments anymore. So-and I don’t even remember when this was—April, May, I don’t know. Something like that. I was to start July 1, Ron was to step down on June 30.
- 6-00:19:50  
Lage: 1993.

6-00:19:51

Kennedy:

1993. I went up a couple of times to the president's office, met with Ron a couple of times, and then I went up one day and spent maybe a day and a half and I talked to all of the people who would be reporting directly to me—each one of them for about an hour, just to get—I knew all of them, obviously, but to get to know them, what their issues were.

6-00:20:21

Lage:

And they were quite a few people, to put it directly.

6-00:20:24

Kennedy:

Yeah there were quite a few, a dozen, maybe something like that. I had some thoughts about organization, about sort of what I wanted to try to do and so forth, but then I got a call from Peltason sometime about the middle of May and he said, "Things have really heated up. I need you to come June 1, not July 1." I was like, "Wow!" Hadn't even started looking for a place to live, we hadn't really decided what we were going to—we were going to lease our house our but we hadn't really done anything yet. I was desperately trying to finish things down here and Jack is telling me, "two weeks," or whatever it was, ten days, I have got to be up here. He says, "Well, you can come up here three days a week and spend two days in San Diego. You will just have to fly back and forth for a while." I had no choice, I had to say, "Of course, yes. Of course I will do it!" [laughs]. So June 1 I went up there. Ron was gone. He left the day before, I guess.

6-00:21:43

Lage:

So you didn't have an overlap.

6-00:21:45

Kennedy:

There was no overlap other than the few interactions that we had on the phone and I went out there a couple of times during the time I was appointed. I am trying to remember when my appointment went to the regents, I don't know whether that was May, maybe it was March. Can't remember. So I went up there on June 1 and was spending three to four days a week in Oakland, staying in a hotel and then coming back to San Diego and spending Fridays and sometimes Monday mornings here trying to get finished. It became apparent very quickly that I just had to tell Dick that I had to leave because I just couldn't keep doing this.

6-00:22:37

Lage:

Finishing your job here, or just getting your house taken care of.

6-00:22:41

Kennedy:

No, it was more the job, I mean, my wife had to take care of the personal stuff. I was just busy. I got up there and the pressure was just unbelievable. I really was not prepared for the intensity of what was going on.

6-00:22:58

Lage:

Should we start by kind of describing what it was like?

6-00:23:02

Kennedy:

Well, there was a total crisis environment in the president's office. Everyday there was something ugly going on. It was either an article in the newspaper, it was some audit finding, it was some legislator calling and being critical. It was a regent calling and being critical. It was just unbelievable. And I had been through lots of crises in my

career. You have a crisis for a day or two, deal with it, it goes away, and you go back to normal. This was just intense, every day, every day, every day.

6-00:23:48

Lage: And dealt with at the top level.

6-00:23:50

Kennedy: And it was dealt with at the top level. We literally had a daily meeting. Walter Massey and I and some of the others, Bill Baker, literally had a daily crisis meeting. We had a list. Everyday we met to deal with those issues.

6-00:24:08

Lage: The current pressing.

6-00:24:09

Kennedy: Yeah. We called it “crisis du jour,” and we had crisis du jour.

6-00:24:14

Lage: Honestly.

6-00:24:16

Kennedy: And there was also a lot of information that was flowing out of the president’s office—inappropriately flowing out of the president’s office: copies of memos. We would have a meeting and before you would think about it, it would be in the paper. That is an exaggeration, but literally the next day something would be in the paper.

6-00:24:41

Lage: Did you have a sense of where those leaks came from, or a crack down?

6-00:24:43

Kennedy: I do not any idea where those leaks were and I don’t think anybody knows. I have talked to Jack about it a number of times. But it was very frustrating because we were trying to—in a sense we were the, I will use the term “the fix-it team.” We were there to try to fix things. I was brought there because I had a reputation for being honest and straightforward, tough but fair. I had a good reputation, people liked me. Walter Massey was one of the brightest, nicest persons with a great reputation that you would ever want to meet, and Jack was above reproach. He is just a very honest individual, and yet we were just getting blasted as if we did it all [laughs].

6-00:25:33

Lage: From the media or from the—?

6-00:25:36

Kennedy: Everybody. Everybody was doing it. We would have auditors in, then they would find something else that they thought was inappropriate.

6-00:25:45

Lage: Was it your sense that the place had been very poorly managed, and that was why this was happening? What was your sense?

6-00:25:54

Kennedy:

Well, no. I don't think that the place was poorly managed. I think that when there is a feeding frenzy—I mean look, the university is a very large institution. There is, when you get right down to it, there is not that much scrutiny of the university. In fact there was less then than there probably is now. We didn't have audits every year like the state or the federal government or whatever. So I think a lot of things just kind of evolved. People did things. There were practices that were—people didn't think much of it. They just did it. Some of them were, if not inappropriate, then perceived as inappropriate. Some of it was kind of minor garbage, but in the context of the ugly stuff, perceived ugly stuff that had come out about compensation, suddenly everything was being examined. There was one criticism because some of the vice presidents were buying upgrade coupons for cross-country air travel using their administrative funds. First-class travel you are not supposed to be reimbursed for it. You know, God, I don't know, yeah it was perceptionally the wrong thing to do, but if you are flying across the country every other week, it is a burden. I never did it, I never flew first class on university funds, but I could understand how somebody could say, "Well, for \$20 or \$40 I could buy these coupons and upgrade."

6-00:27:40

Lage:

It is pretty minor.

6-00:27:42

Kennedy:

It is pretty minor, but it got in the paper, "UC Senior Managers Flying First Class." This kind of thing. Each one of these you have to deal with. Employees were complaining about everything. So it was kind of a feeding frenzy, just everything was being looked at and very carefully scrutinized. It also became very clear to me that Ron Brady, who again I admire very much, his style of management was very different than mine—very different.

6-00:28:17

Lage:

Can you talk about that?

6-00:28:20

Kennedy:

Very different. Ron was much more of a control manager than I ever was before, after, ever will be.

6-00:28:27

Lage:

A control manager?

6-00:28:28

Kennedy:

My idea is you hire really good people and you delegate responsibility and authority to people. If they do a good job you reward them. If they do a bad job you get somebody else. Ron was much more into controlling to a much greater degree than I ever could imagine doing. That was his style. Lots of things came across his desk that I would never deal with.

6-00:28:57

Lage:

So the people who reported to him had to clear their decisions—

6-00:29:00

Kennedy:

A lot of stuff would come for decision making that I didn't think that I wanted to spend my time doing. Maybe that is because Ron had a bigger capacity than I do, I don't

know. But a very different style. What I found out was that people were expecting me to make all these decisions. The place in a sense became somewhat immobile because I was dealing with the crisis du jour, as I call it, and in the president's office talking to a regent or a legislator, or in a meeting with Walter Massey and Bill Baker trying to figure out how we are going to deal with this crisis, and all this stuff is piling up for me to decide because the people who were sitting in these positions had never made these decisions before. Just because I was there, they weren't going to suddenly start making decisions.

6-00:29:48

Lage: And they weren't your people.

6-00:29:49

Kennedy: And they weren't my people. These were people that—not that there was anything wrong with them, or that I didn't like them, but suddenly—

6-00:29:56

Lage: You didn't have people—

6-00:29:58

Kennedy: This is not the way that I do my business. It took quite a while before people learned how to work under my structure. Some of those people decided to leave. This was right at the VERIP III decision making time, and so a number of my key people left, which then was both a blessing and a problem. It was a blessing because I had then the opportunity to go out and recruit people that I would hire and that would work for me, which is always beneficial, but on the other hand I had this hiatus because I couldn't just recruit overnight. Suddenly people were saying, "Well, I am retiring." Once people say "I am retiring," they kind of lose interest.

6-00:30:42

Lage: [laughs] Well, this must have been quite a time.

6-00:30:45

Kennedy: Well, I could tell you, about the second week up there, I flew home on a Thursday night and I will always remember this. I had left my car at the airport, I had got in my car and was driving down Harbor Drive looking at the sailboats in the San Diego harbor and the palm trees and I said, "What have I gotten myself into?"

6-00:31:04

Lage: [laughing] I can imagine!

6-00:31:06

Kennedy: "What have I gotten myself into?" I had a such a great life in San Diego, and here I am in Oakland living in a hotel room, getting beat up everyday.

6-00:31:19

Lage: And finding it hard to dig out from under, I would think.

6-00:31:20

Kennedy: Well, I have one great anecdote and I don't know whether we will embargo this or not, but there was a little controversy when I was appointed. The salary was not—in fact, one of the interesting things about the salary is that President Peltason called me and

when he had finally got the board to approve, it still had to go formally to the regents, but he had enough agreement from the key [regents], the chairman of the board and so forth, that he knew that it was going to pass. So he called me to discuss the terms of my employment. I can't remember what the salary was, \$190,000 a year, something, whatever. And he says, "I am paying you the same thing that I paid the provost, Walter Massey, because I view you two guys as my two go-to guys." I said, "Jack, you know, it wouldn't bother me if you paid me just a little less than Walter. Not a lot, just a little bit." There was this pause and he says, "Well, why?" I said, "Because I think the academic leadership should get paid more than the business and finance leadership," and I said, "the faculty will like that, and I think that is what you should do." He says, "Now I know why I hired you."

6-00:32:38

Lage:

[laughs]

6-00:32:40

Kennedy:

So the agreement was \$2,500 a year less.

I mean, \$200 a month—it wasn't going to make or break me, but there was something symbolic about that that I thought was very important. But there was also the issue of my relocation. We did have, still in policy, although they had abandoned a lot of the perks for the senior people. They did have a relocation allowance. The idea was that they would—that this was a temporary supplement to your salary, and it represented a percentage of your salary and it was paid out over three or four years in a decreasing amount to help you get into a house and sort of make the transition. If things went well, your salary would go up at least by inflation, as this temporary thing was decreasing and it would work out. That was important to me because the real estate market, one, was not very terrific at that time. It was not terrible, but it was not where it had been, but secondly, we didn't want to sell our house. We had always planned to retire here. We wanted to come back, and so on the other hand I knew I was going to be up there for at least five years. So I wanted to buy a house, which meant that I had to have a lot of cash because houses were not cheap in the Bay Area. So this transition allowance, called a relocation allowance, was very important to me, and it was part of the deal. So when my appointment went to the regents, and I was at the regents' meeting, still as a vice chancellor, but I was at the regents' meeting, and it must have been the March regent's meeting, and it was in a closed session and I was not in the room, it was just regents. Jack came out and said, "Well, they approved your appointment, but there is a problem with the relocation allowance," and he said, "I am not sure that I did a really good job explaining it to the board, and so they didn't approve that, but I think I can get it approved next time. Maybe it was May, I am not sure, because I was shortly thereafter up in the president's office. But anyway, what could I do? I said, "Well, you know Jack, this is important, because I want to buy a house and I know I am going to have to pay a lot of money for a house and I didn't get that big of a raise to come up here." It was only \$20,000 or something over what I was making as a vice chancellor. They had pushed salaries way down and my predecessor had gotten a housing allowance, which they had gotten rid of. It was one of the perks that went away. So it wasn't a great financial advantage for me. So it was important. So my wife could at least get a house comparable to what we had down here and we could not worry about finances up there. So anyway, shortly after I went to the president's office, I got a call one day from a regent, who I am not going to name. He said, "If the board doesn't approve that

relocation allowance, you should go back to San Diego.” I said, “Well, I don’t have a job in San Diego anymore.” He says, “Well, they haven’t appointed anybody yet, have they?” He said, “This is just outrageous. If they don’t approve it, my strong advice to you is just to tell them to bug off and go back to San Diego.” Thank you very much.

6-00:36:14

Lage: [laughs] Here was your chance.

6-00:36:15

Kennedy: This was a regent that called me!

6-00:36:18

Lage: That is amazing! Your way out! Did they approve it?

6-00:36:21

Kennedy: Yes, they did.

6-00:36:24

Lage: Did Jack make a better presentation?

6-00:36:27

Kennedy: I assume because I wasn’t in the room, but it did get approved. And I had a couple—another regent said to me, “Well, you know, you should have just forgotten about that. It wasn’t that important. You are kind of starting off on the wrong foot.” I said, “Hey, that was the deal.” A deal is a deal. That is the president’s offer. That is how I accepted the job.” He says, “Would you not have accepted it if they wouldn’t have offered you the relocation?” I said, “I honestly don’t know. Maybe not. Never thought about it.” But it was that was what he offered and that is what I accepted. A deal is a deal.

6-00:36:57

Lage: Amazing. Well, that was the times, though. Every special deal was looked at.

6-00:37:03

Kennedy: Well, that wasn’t special. That was still part of our policy, it is just that, again, as we have mentioned earlier, a lot of the regents were not aware of some of the compensation things that were being done for people. So some of these were still coming as surprises. The other thing that was interesting in those days was that every time your name appeared in the paper, and it did frequently, my name was in the paper more than I ever wanted it to be, particularly in the *San Francisco Chronicle* as reporters were scurrying around trying to write ugly stories—every time your name appeared, whether it was me or Walter Massey or Jack Peltason, our salaries would be in there, to make the point that these guys were just being paid outrageous sums of money, which obviously was not correct. We were not paid as much as our predecessors were paid, for god’s sake.

6-00:37:55

Lage: Or how about comparable jobs in other universities?

6-00:38:00

Kennedy: We were not, the university—once they took away some of the special compensation—the deferred income payments the so-called NDIPs (Non-Qualified Deferred Income Plan), and they took the housing allowance away from the two senior vice presidents and a number of other things, our compensation was below comparative institutions. It

took a long time to try to build it back up. The same thing with the chancellors, because they were getting this additional comp and it was taken away. So in a sense the chancellors got a cut in their compensation. I got a small increase, but compared to my predecessor, I was making about \$40,000 a year less than he was.

It was hard to do that then get criticized [laughs] at the same time.

But it was part of the game.

6-00:38:51

Lage:

It was part of the game. You mentioned that you have a sense about three periods of your tenure at UCOP. Would that be a good way to start, to set up our—

6-00:39:04

Kennedy:

Well, the initial period was the crisis that we had to deal with, and we just couldn't seem to dig ourselves out of the hole because every day, every week, people were uncovering things that were perceived as being inappropriate. Whether or not they were didn't matter. It was newspaper stuff almost daily. There were audits going on by the state auditor general.

6-00:39:42

Lage:

Were they turning up little things, or—?

6-00:39:46

Kennedy:

Well it was, I would say little things in turns of the materiality of it, but then also there were policies that were being questioned. Why do you do things this way? What is your policy? Why do you compensate this way or that way? So to try and come to grips with all of this in the middle of three new people, and the president who had been there for almost a year. Walter Massey, who had come April 1, I came June 1 of 1993, we were new. Walter was new to the system.

6-00:40:24

Lage:

So you were having to answer a lot of questions.

6-00:40:26

Kennedy:

And the faculty were being critical. We met with the academic council once a month. This is the heads of the local senate branches and the chairman of their key committees, and they had a lot of things to be critical about, but some of it was right, others were misconceptions. We were trying to develop good relationships with the faculty leadership. We were trying to deal with the auditors. We had huge moral problems in the president's office because the staff in a sense felt they had been had; all of this money was being paid to these people and their wages were not growing.

6-00:41:07

Lage:

So you are talking about the middle-level staff?

6-00:41:10

Kennedy:

I mean everybody. Everybody was upset about it. A lot of people, time was—people were regressing, work wasn't getting done, it was just really difficult. And then I had to start having to go to regents' meetings, and because, I would say at least half of regents' items are business and finance items, I was up at the table an awful lot. I was new and

even though I had attended a lot of regents' meetings and had a feel for things, I was being scrutinized by the board as the new person. Did I have the right qualities and did I have the right background? My background is not accounting or—my background is primarily in the planning and budgeting and general management. I was getting into some areas, particularly HR, where I did not have a lot of experience. I think I understood it and I had worked, obviously, in HR, but it was not something that I had focused on in my career. I was more focused on the research management and indirect costs and things like that. That is where I had spent most of my time and garnered most of my expertise. It was a learning process for me. I had responsibility for the retirement system.

6-00:42:35

Lage:

Yeah, the retirement system—

6-00:42:37

Kennedy:

While I understood the retirement system, as a vice chancellor and as a member of the retirement system, the nuances of it and some of the real issues of the retirement system was something that I had to learn. I remember one of my first regents' meetings we went to the board to talk about the actuarial assumptions for the retirement plan. I had to confess to the board that I was not up to speed on this. I had the woman who was responsible for the retirement system and her consultant, but I was the senior vice president and I had to say, "I still have a lot to learn about this." I felt being honest instead of trying to bluff my way through it was the right thing to do. I am not sure if some of the regents, say, "Well, you have been here two weeks. You should know all of this stuff." That is a little bit of an exaggeration.

6-00:43:26

Lage:

Were they hostile as a group?

6-00:43:28

Kennedy:

No, I wouldn't say that they were hostile to me personally. I think they were hostile because they were being criticized by the press for not being watchful trustees. There, I assume, there was some inter-regental (if I could use that) things going on because some of the regents knew about it, because they had approved some of these things, but a lot of the regents didn't know about it. So the ones that didn't, perhaps, and I am guessing because I don't know, were irritated with their colleagues because they weren't informed. Suddenly we started taking things to the regents about compensation and retirement and so forth, and some of the people never heard it before. Sometimes they didn't like some of the things that we would tell them about.

6-00:44:23

Lage:

I see. So you were being more open and—

6-00:44:26

Kennedy:

Well, yeah, that was indicated. We had to be more open. That was what we needed to do. We needed to have the board understanding what they were managing, what they were the trustees of. So there were a lot of—then the first year or two some ugly things occurred. We had that one meeting in which somebody taped a meeting—

6-00:44:51

Lage:

The Council of Chancellors.

6-00:44:54

Kennedy:

It started out as an executive compensation committee meeting, which was the president, a few chancellors and Walter Massey and me talking about the appointment of a new vice chancellor and the compensation, and there was some disagreement. Then that evolved into a chancellors' meeting, and somebody had managed to figure out how to tape it.

6-00:45:19

Lage:

It was a video conference.

6-00:45:22

Kennedy:

It was a video conference, but I found out a long time later, it was only audio-taped, not video-taped. The president and a few chancellors and Walter and I were at a video conferencing center in Alameda. We didn't have one in those days in the president's office. Some of the chancellors were there—I think probably the Berkeley, the San Francisco, maybe the Davis Chancellor. The other chancellors were at their campuses. It was a video conference. We started out with just the few people in the room along with one or two chancellors on the video to talk about this executive compensation thing. When that meeting was over we went into a full council of chancellors meeting. Two things happened that got in the newspapers that sort of were kind of ugly. One was there was this sort of bickering about this salary. Bickering is the wrong word. There was a debate about it as to whether this particular vice chancellor who was being recruited should be paid a salary that was going to be slightly higher than some of the others, and how were we going to deal with that. Some people felt like we shouldn't pay it and others felt that we should, anyway, that debate went on and got in the newspaper. Then there was a comment over some legislator who had made, said something to the university or was criticizing, and Jack—

6-00:46:53

Lage:

I think they failed to okay an appointment to the regents.

6-00:46:58

Kennedy:

Yeah. I don't remember. I guess it was the Lester Lee appointment—the first time a regent had been turned down since Stanford was turned down and started his own university as a result. But it was Lester Lee's turn-down as a regent, and Jack said something off the cuff about a legislator. Then it got in the newspapers and I guess Jack got taken to the woodshed over that one, big time. But it was just—that was really ugly, and that was in the papers.

6-00:47:30

Lage:

They asked you to investigate the leak. Did you ever find out how it happened?

6-00:47:35

Kennedy:

You know, we did investigate the leak. In fact, some people thought I was being a little paranoid because we actually, in all seriousness, I went to the Oakland FBI.

6-00:47:47

Lage:

Oh you did?

6-00:47:48

Kennedy:

To find out whether that was legal or illegal. I went with general counsel. I can't remember all of the nuances, but clearly the FBI wasn't interested in doing anything

about it. They said they weren't sure that it was illegal, because they didn't know all of the circumstances, but we did bring in some people to try and figure out what happened, and they never could. It wasn't until, God, it must have been two years later, that I did find out how it happened, and in fact the person who did it as he was retiring and walking out of one of the campuses, sort of confessed that he had planted a small tape recorder in the TV conferencing room.

6-00:48:40

Lage: From a campus?

6-00:48:42

Kennedy: At one campus, and of course taped. That one chancellor happened to be on the executive committee, and then the employee turned the tape over to a reporter from the *San Francisco Chronicle*.

6-00:48:53

Lage: I could tell that you don't want to name this person, but could you say what—or do you? What level?

6-00:49:02

Kennedy: It was a technician or something. It was not a high authority person level. It was a technician. Actually, I don't know him and never cared, I mean at that point I was not going to pursue it. But he turned the tape over to the reporter, and we first found out about it at a regents' meeting. I got a call, I think Bill Baker got a call from this reporter who said, "Tomorrow there is going to be a transcript in this paper of this meeting and we want to know if you want to have any comments." What could we say? I know it was accurate because the first quote was me. It was exactly what I said, and I knew that it was verbatim.

6-00:49:48

Lage: Was the quote something that you wished that you hadn't said?

6-00:49:51

Kennedy: No, but all of this is taken out of context because we were discussing salaries, and I was actually defending a higher salary because this campus needed to get a really competent individual and there was a vice chancellor, and this is what it was going to take to recruit. Then later you would have to go back and deal with the equity of it with other campuses, but we had to do this. Some people thought that that was not the right way to go. Well, reasonable people can disagree.

6-00:50:28

Lage: Right, but doesn't normally get into the papers.

6-00:50:30

Kennedy: It doesn't get into the papers. It was just a healthy debate and in the end we made a decision and we moved on. It was no big deal, and Jack, his comment was kind of off the cuff.

6-00:50:41

Lage: And Karl Pister said something.

- 6-00:50:43  
Kennedy: Yeah, and Karl said something I guess, and I don't remember anymore. You have a tendency to forget things like this [laughs].
- 6-00:50:51  
Lage: Yeah [laughs]. Well, that is an example of the kind of—
- 6-00:50:54  
Kennedy: So you have an example—and then that gets in the paper and then of course the regents read it and the public read it, and the employees read it.
- 6-00:50:59  
Lage: The legislators.
- 6-00:50:59  
Kennedy: The legislators read it, and everybody again, you got another crisis du jour. Everybody is beaten on. So there were just a whole series of those things.
- 6-00:51:12  
Lage: Another thing that I read in the papers that sounded fairly serious, a couple of your own staff people, fairly high level, who inappropriately—well, a conflict of interest thing where they hired somebody who was living with one of them. If this is true.
- 6-00:51:34  
Kennedy: I don't even remember that [laughs].
- 6-00:51:35  
Lage: You don't remember that? Because it sounded, you know—
- 6-00:51:36  
Kennedy: [laughing] I will have to come back to that one.
- 6-00:51:40  
Lage: —like a very inappropriate situation, which maybe it wouldn't have made the papers—
- 6-00:51:46  
Kennedy: I honestly don't remember that. It may be. It may be.
- 6-00:51:52  
Lage: All of these things can be found on line, on the Internet.
- 6-00:52:00  
Kennedy: I chose not to spend my retirement [laughs] rehashing decade-old issues. But I mean, the other example that always sticks in my mind is, after I was up there maybe a year, we discovered a very major defalcation in risk management, which reported to me.
- 6-00:52:23  
Lage: You need to tell me what that word means.
- 6-00:52:26  
Kennedy: Well, it means misappropriation of funds or theft of funds.

6-00:52:28

Lage: Oh, oh. Embezzlement?

6-00:52:32

Kennedy: Defalcation. Embezzlement. I actually, well maybe it was—

6-00:52:35

Lage: In risk management?

6-00:52:38

Kennedy: Yeah, that is, they manage our self-insurance programming and purchase of insurance for the university and our medical centers, and deal with claims coming in for various malpractices or whatever. I can't remember how it was uncovered, but this particular individual was at night going up to the general counsel's office, she was falsifying claims documents and then she would go up and fax them from general counsel to risk management. So it would have the general counsel's approval in a fax, and anyway, we had third-party claim managers who helped us as a hired contractor. So they were getting falsified documents and paying these claims, and the money, of course, was going to her and to her daughter. It had been going on for some time. It had actually been going on before I got up there, not making excuses, but—when I went up there, one of the things that I had to decide that, aside from dealing with crisis, what did I need to do in terms of my organization and what did I need to fix, and I had my priorities. Risk management was not one of them. It appeared to be a reasonably well run program. But this particular individual—it was close to a million bucks.

6-00:54:11

Lage: Wow. How did it get uncovered?

6-00:54:12

Kennedy: You know, it was just one of those odd things that happened that somebody stumbled on it. Then the Pandora's box was open and we sent the auditors in. But this got really ugly, got in the papers and the regents were really angry over this. There was a special regents' meeting, a special audit committee meeting one day, and I will always remember it. It was in the what used to be the cafeteria of the Kaiser building and some regents were there, I was there, the president was there, my auditor who I just hired, my associate vice president for finance who was just recently hired and risk management reported to her. Here we were, the people again as I mentioned, we were brought in to fix these things and we were just getting killed. We were just getting blistered by the regents, particularly one regent. I got up to the table and I said, "This is my responsibility. I am the senior vice president. This was on my watch. I take full responsibility for it," thinking in the back of my mind, "Yeah, I say that, but..."

6-00:55:25

Lage: [laughs] But you didn't?

6-00:55:27

Kennedy: But, wait a minute, I have got a thousand of things that I am trying to deal with. I wish that I had found out this, but I didn't and now I have got to pay a price for it. And there were a whole bunch of those.

6-00:55:37

Lage: Did that lead to change in procedures? Was it a faulty process in the office?

6-00:55:45

Kennedy:

It was both. We clearly needed to tighten up—but this was a twenty-year employee. There are few systems that dishonest people can't figure out a way to play with. That is why you have auditors, that is why you have policies and systems and reviews, and so forth. But it is not a perfect world, and this is one that slipped through, and everybody felt bad about it.

6-00:56:18

Lage:

And at the same time you are, I am sure, under pressure to decrease your staff, cut administrative costs.

6-00:56:24

Kennedy:

Of course. We were laying people off, well I don't know laying people off, but people were retiring and we weren't filling their positions. I was losing senior people as I said earlier. The auditor left. The comptroller left. I had in one sense opportunities, and I brought in some really good people, but I couldn't do it overnight. I had people in acting controller and acting auditor [positions], trying to recruit in a tough time when you couldn't pay good salaries and the university was being blistered. Who wants to come to work for the University of California?

6-00:57:01

Lage:

Doesn't sound like a pretty picture [laughing]. How did you go about getting your system in place?

6-00:57:09

Kennedy:

Again, it is a matter of—well, some of it was my evaluation of the areas that reported to me and some that I knew that I had to do something about, either because I felt they needed new leadership or because the people had stepped down. Internal audit was clearly one area that there was no question that we needed to improve. The former internal auditor took early retirement. Somebody that I had known for a very long time, and he was a very nice, competent, person, his philosophy about internal auditing and mine were very different. He was of the mind that as the university auditor, his job was policy primarily and that the campus auditors were the ones that really had the audit responsibilities. My view was that the university auditor had, at a minimum, oversight responsibilities for campus audits and so forth, and that the university auditor had to be in a leadership role and really be working to make sure that the campus audit programs and in the president's office were sound and were getting the job done. That is a philosophical difference.

6-00:58:35

Lage:

Yours was more centralized.

6-00:58:36

Kennedy:

Well—I wasn't interested in a central program in the sense that the university auditor controlled everything throughout the system, but I was interested in having that person be accountable for the campus programs. But I also believe that campus audit programs need to have some autonomy and to have a relationship with the campus, because otherwise the auditors are looked as outsiders. Then they will, in my judgement, have trouble getting their job done. They have to be viewed as an asset, as a help to management, not as a difficulty that management has to deal with.

6-00:59:17

Lage: It comes from outside.

6-00:59:19

Kennedy: So there is kind of a blend that has to take place. That is my philosophy, that is not everybody's philosophy. In fact, Howard Leach who was chairman of the board at that time, Howard and I had major differences over that.

6-00:59:34

Lage: What did he think?

6-00:59:36

Kennedy: Howard felt that it should be a very strong centralized program and that university auditor should have absolute control over the audit program. Howard and I actually came to an agreement, a compromise, that the new university auditor would have a dual reporting—campus auditors would have dual reporting so they were both accountable to the university auditor and to the chancellor and the campus. Dual reporting is something that I am not a big fan of, but in this particular case I think it worked well. Took a while to get the campuses to accept it, to get the right people, employees at the campus as well as in the president's office, but we had a review not to long before I left the president's office by external reviewers. They gave the program very high marks. Although I understand now that it is being looked at again. But the person that I had hired, Pat Reed, as the university auditor came from the private sector, he had been an auditor with Peat Marwick, for many years and worked very, very well. He is a very high quality individual, lots of good auditing experience—never worked for a university before, but knew the audit business. He really crafted a program that worked.

6-01:00:58

Lage: It is a very interesting balance that you talk about, both between yourself and Regent Leach and between the president's office and the campus administrators.

6-01:01:10

Kennedy: Yes.

6-01:01:11

Lage: It is not an easy thing to describe.

6-01:01:13

Kennedy: Well, that is in almost every area. The campuses of UC are very autonomous. You have a chancellor who is by policy the chief executive officer of the campus, and he has a staff of people to run the campus, academically and administratively. The campuses are also, each one of them, very unique. They are not cookie cutters at all. They have different organizations, a lot of it is the way in which they evolved over time, and so forth. Then you have the system—the president and vice president sitting up there and doing policy and trying to make sure that the campuses are doing the right things, but yet we are not here every day. It is like a big corporation with divisions all over the state of California. And you have that almost in every area, business and finance.

6-01:02:08

Lage: Were you over audit when you were here in San Diego?

- 6-01:02:10  
Kennedy: Yes. Audit reported to me.
- 6-01:02:13  
Lage: Did it also, did Ron Brady have it?
- 6-01:02:17  
Kennedy: It was a different, no, it was a different—the campus auditors, they had a relationship with the university auditor, but I think that it was viewed more as a policy--and then occasionally all of the auditors would get together in sort of the auditors' union and talk shop, but I don't think that people took direction much from the university auditor. That was the philosophical difference.
- 6-01:02:41  
Lage: Now, you and Regent Leach, he was the chairman of the board?
- 6-01:02:46  
Kennedy: Chairman of the board.
- 6-01:02:46  
Lage: Is that—
- 6-01:02:50  
Kennedy: I think he was chairman. He was either chairman of the board or chairman of the audit committee. I can't remember which, but I think that he was chairman of the board.
- 6-01:02:54  
Lage: But is that something, that kind of interaction, is that also typical—where a regent would shape the workings—
- 6-01:03:06  
Kennedy: Well, I can't tell you historically whether it was or not, but given all of the turmoil and again given the fact that the business and finance arena and my predecessor, was kind of a lightning rod for a lot of this stuff. I think certain regents took more than a passing interest in what I was doing and in a sense the business of the university, because these are business people. Howard Leach is an entrepreneur, has a capital company, and quite frankly I appreciated all the help that I could get. It was good to have people, and this was friendly, this was not adversarial at all. It was genuine difference of opinion. My experience was in the university, twenty years in the University of California, I knew the local audit program because I ran it in San Diego for a decade—more than a decade. I thought that I knew what was the right thing to do for the system. I knew that it had to be strengthened, but I also knew that if we tried to wrestle it away from the campuses, it was not going to be as effective as it could be. Howard comes from a business point of view, where audit generally reports to the board or at least to the chief operating executive officer of the corporation, and here I am talking about a semi-decentralized program. So the two cultures had to somehow come to a—I think Howard was willing to give me the benefit of the doubt to a certain extent, because of my experience and because of my intuition in all of this. He was integral in my recruitment of the university auditor. A small committee of regents that helped me: Howard and Frank Clark, and Steve Nakashima were the three regents who interviewed with me when we interviewed auditors. It was a tough search because there weren't a lot of people out here that we willing to come for university wages.

6-01:05:08

Lage: Or into that atmosphere.

6-01:05:09

Kennedy: Or into that atmosphere.

6-01:05:13

Lage: Now Frank Clark, I understand, gave you a lot of trouble on audit issues.

6-01:05:17

Kennedy: Well, Frank gave everybody lots of trouble. [laughing] Who told you that?

6-01:05:21

Lage: More than one person. I honestly don't know who, but more than one person.

6-01:05:22

Kennedy: I saw Regent Clark, as a vice chancellor, at regents' meetings. He was a regent for a very long time. I guess he was appointed to fill out a term and got a full twelve-year term. So he was a regent for twenty years or whatever. So I watched him as a vice chancellor, and had very little interaction with him because the things I did in front of the board which were very few, didn't really involve him very much. But he was an attorney, very smart, and he cares a lot about the University of California. He is a man of his convictions par excellence. When Frank believes something, by god, he is going to really stick to it. So yeah, during my seven plus years as vice president, most of those years Frank was on the board and he and I occasionally got into differences of opinion. One of them was the recruitment of Pat Reed. Frank was not in favor of us hiring Pat. Howard Leach and Steve Nakashima were. So we hired him.

6-01:06:44

Lage: And you were, I assume.

6-01:06:48

Kennedy: I was, yes. Because I didn't think I—Pat was terrific, and I would have hired him no matter what, but there were not a lot of choices. Frank really was not very happy and gave Pat some grief as a regent. I was very pleased when we had to have a review three or four years ago and those external people, former internal auditor for Ford Motor Company, and one of the big accounting firm auditors, gave Pat really high marks that our program was really working very well. Things need to be done to make it better, but basically it was working and I took great pleasure in that. Frank was very gentlemanly and said that he was pleased that it was working—he was going to keep watching it, but he was pleased that it was working.

So we had, you know—and he, I think he and Ron did not get along well towards the end of Ron's tenure. I think Frank was very critical of Ron and when I first got appointed, one of the first things I made sure I did was to call Regent Clark. I went and visited him at his home, spent some time with him—to try and say, "Look, I am a different guy and I want to do the right things and I want to work with you because I know you care a lot about the things that I may be responsible for." So we—

6-01:08:14

Lage: And that went okay?

- 6-01:08:16  
Kennedy: We had kind of a love-hate relationship. Frank sometimes really got on my tail, except when I announced my retirement, he wrote me a very nice letter saying that, "We have disagreed," but he was always a supporter and he appreciated what I had done for the university and so forth.
- 6-01:08:37  
Lage: It is such an interesting relationship with the regents.
- 6-01:08:42  
Kennedy: Well, they are individuals and they are a group. They have committees and my relationship was with the chairman of the finance committee, chairman of the audit committee, chairman of the grounds and buildings committee—those were the ones that I worked with the most, and the lab oversight committee. So some of these people would be chair for a couple of years with these committees, so you get to know them pretty well. They chaired the session where you had to get up there and get the board to approve something.
- 6-01:09:15  
Lage: And they ask a hard question.
- 6-01:09:17  
Kennedy: They do, yeah, and in a sense working the board is part of what you do. And I mean that in the most positive sense. You have to help—these are part-time volunteers. They are not doing it everyday and they are not intimately involved with what goes on. So you have to develop mechanisms for getting the board informed not just on individual items, but on terms of the bigger picture so that they can see things in the context of what you are trying to do, from a longer range point of view or from a policy point of view. So you spend a lot of time doing that, working with the board was one of my major time consumers.
- 6-01:10:01  
Lage: We have to change here.  
  
[minidisc 7]
- 7-00:00:00  
Lage: Okay. We are on tape seven, and we were just taking about working with regents and how that was a major part of your job, or one of the major parts. Should we continue along those lines?
- 7-00:00:16  
Kennedy: Sure.
- 7-00:00:16  
Lage: You also organized the regents' meetings.
- 7-00:00:19  
Kennedy: Yes, one of the people that reported to me did the agendas for the regents' meeting and also did all of the policies and procedures for the university. There was also an office of the regents, the Secretary of the Regents, but that office is not responsible for the agenda. The president is responsible for the agenda. I had an office of, I think it was

three people, and a woman by the name of Jeanne Gardner who was responsible for putting the agenda together. That is a very, again, sort of cumbersome and arcane process because many regents' items come from the campuses, not from the president's office. So if the campus wants to do something that requires the approval of the board, they have the responsibility for preparing a draft of the regents' item. Many times it is in consultation with the appropriate Office of the President offices. Let's say—

7-00:01:27

Lage: Give an example.

7-00:01:28

Kennedy: The approval of a capital project. Say, the campus wants to build a \$50,000,000 building, and the board has to approve the project and the financing of it, that item is going to be drafted down at campus level. Now it has probably had lot of discussion with both the budget folks and the people in the business and finance arena, depending on what source of funds is going to be used to finance it, maybe it is gifts, maybe it is borrowed money, whatever the circumstances.

7-00:02:01

Lage: It has already been discussed with the president's office?

7-00:02:04

Kennedy: Right, pretty—a project of that magnitude, if it were some appointment that required general approval that was relatively low-level appointment it might just find it's way up there. But there is a lot of backing and forthing. So these items, and there is a schedule, up until my last year or so, the regent met nine times a year. So you were either just finishing or preparing for a regents' meeting all the time. Now it is only six times a year. We will get to regents' procedures a little bit later.

7-00:02:39

Lage: Yeah.

7-00:02:39

Kennedy: We had a schedule that if you wanted to go to the July regents' meeting. You had to have your items in the coordinating office by certain dates, and of course people were always late and fussing around, and a lot of the items were not written as well as they should be, had factual errors, and when they came up to the coordinating office, particularly something say, like a capital financing item, well, the people in the coordinating office have no detailed knowledge of that kind of transaction. They are making sure that the English is correct and that it meets all of the policy requirements. So that item would have to be coordinated with maybe the finance people and the budget people, and maybe the people with responsibly for facilities. There was a lot of coordination that took place in the president's office. And you know, everybody wants to wordsmith. We used to have a joke that if you left a regents' item left on your desk over night, the janitor would change the words.

7-00:03:41

Lage: [laughs]

7-00:03:41

Kennedy:

Because everybody had the urge to edit or whatever. We tried to do some things about that, later. It was a very difficult process, and they are coming in from all of the nine (now ten) campuses. Some started in the president's office. So you there are thirty, forty, sixty, regents' items for every meeting. They all have to be vetted and coordinated, and they have to be edited. You have to go through all of these approval levels. It is quite a process, and we did it for everything. We did it for the whole president's office.. It is not just business and finance. We did it whether it was in academic affairs or agriculture or whatever, we had the responsibility.

7-00:04:21

Lage:

Did a lot of items come up from the campuses, or was it mainly related to capital projects?

7-00:04:26

Kennedy:

No, no, a lot of items come from the campuses. I don't know, a new curriculum would have to come up. An appointment of a vice chancellor in those days would come up. A design of a building, we talked about that earlier. I don't know—a thousand of different things. So it kept you busy, and I tried to coordinate working with Jeanne so that we could try to streamline that process because it was—if an item came up late from a campus you wanted to help the campus, you don't want to punish them because their item was late, but then that put the coordinating office under strain. You got twenty items that were late out of forty, fumbling around. Then of course the regents' secretary had her deadlines that we had to get all of the stuff ready so that they could mail to the board so that board got it in time so that they could read material and be prepared for the meeting. So we had all of these things backed up, and fortunately the secretary's office and coordinating office got along very well. It was a lot of coordination and integration, but I think having the coordination office separate was important, because regents' items were president's items primarily. They are not secretary's items or regents'—sometimes regents start an action, but 99 percent of the items are president's items, so the office needs to be in the president's office. The secretary of the regents, her job is to take care of the regents, our job is to make sure that we carry out the policies and procedures of the president. So it was a good division of labor. But it is a cumbersome process and the board, now they have changed a little bit in recent times, but the committees meet serially, they don't meet in parallel. So in a typical Thursday of a regents' meeting, you might have an audit committee and then after the audit committee was over, you might have a grounds and buildings committee, and after that was there you might have the finance committee, and then a committee on educational policy, then a committee on lab oversight, and then something else, and sort of even though regents were assigned to a committee, it was almost always a committee of the whole, even though only the committee members could vote on committee business. Then the next day they would meet as a board and they would take up the committee reports, and so it is kind of chaotic in a sense and not very efficient because you have all of these things meeting serially. Now they have changed some of that, and we did some improvement in the procedures during my tenure, and I think some of the committees are meeting in parallel now.

7-00:07:23

Lage:

That would not allow you to go to all the meetings that you wanted.

- 7-00:07:27  
Kennedy: Well, no, you sat and you—you had to go to all of them. That was the problem.
- 7-00:07:29  
Lage: I know, but if they met—
- 7-00:07:31  
Kennedy: Oh well, everybody can't do everything, okay. Quite frankly a meeting of the committee on ed policy, I am interested, but it is not vital that I need to be there. Clearly the provost doesn't need to be there for the audit meeting unless we are auditing the provost. You can arrange things so that the meetings certain vice presidents had to be at could be scheduled. But the board in those days wasn't interested. They all wanted to be sort of listening and involved in everything. We weren't able to change much in that regard. Although, again, we did change some of the policies in order to streamline things. Then there was always the issue of, you write a regents' item and one regent will say, "Well, that is too much information. I don't want to see all that in this. It ought to be more streamlined." Another regent will say, "That doesn't give me enough information. I need twice as much information!"
- 7-00:08:31  
Lage: [laughs] So there is all this back and forth!
- 7-00:08:34  
Kennedy: So that you are always trying to figure out, well, is it too short or is it too long? Do we have too much or too little? And how to balance all of that. It was kind of interesting.
- 7-00:08:42  
Lage: It sounds like you got into that. You didn't just leave that to Jeanne Gardner.
- 7-00:08:47  
Kennedy: Oh no, I got into the procedures thing in a very big way.
- 7-00:08:52  
Lage: Because it was so important?
- 7-00:08:54  
Kennedy: Well, because it was taking up so much time and it was so frustrating, and you just couldn't get it all done. It just became a nightmare. And also, I think, from my sense and the sense of the president and a few regents, the board was perhaps was engaging itself in too much detail. The board needed to be focused on policy and really important issues and not on some of the things that they might enjoy, like approving the design of a building. In the scheme of things that is not as important as establishing some new policy that is going to determine the undergraduate admissions or something like that. So some of the regents, particularly John Davies, who is a San Diego regent. When John was chairman he felt that we could streamline and I worked with John very closely over a period of a couple years to work on streamlining procedures.
- 7-00:09:52  
Lage: To make new procedures where fewer things would regents' items.

7-00:09:55

Kennedy:

Well, one of the things we did, we got the board out of approving each design, and we had a subcommittee of the grounds and buildings committee that met offline, outside of the board meetings, and we went through the design with them, and if they were happy then we just did sort of a quick look at the board meeting, and that was it, and didn't get into flat roofs or whatever—

7-00:10:23

Lage:

[laughs]

7-00:10:23

Kennedy:

Or I don't like the color, it ought to be darker, or you ought to move the window over—everybody, including me, is an architect, we loved to critique designs because it is fun.

7-00:10:33

Lage:

Many people have said that David Gardner had the regents kind of tamed, for a while, and then when he left there was much more regent unrest.

7-00:10:50

Kennedy:

Well, I have a little different view of that. I think tamed is the wrong word. I think the board had absolute confidence and trust in David Gardner. I mean I really do. I watched David. He was outstanding as the president and in the environment of board meetings. He would let discussions roam and then he would focus in on the issues and bring the board to the point where they could make a judgement. He was just excellent at that—just a marvelous talent that most people don't have. So I think it was just this utmost trust and confidence in the leadership. That then spread out to Bill Frazer and Ron Brady and Bill Baker and others who were part of David's team. I just think there was a lot of confidence and trust, and I think that confidence and trust was broken at the tail end of David's administration when all of this comp stuff came up. I am not saying that anybody did anything wrong or inappropriate. I will let history judge all of that, but I think a number of regents felt that they were excluded from those deliberations. They didn't understand it, and they were being criticized for it.

Then you bring in the new president and the new team. Why the hell should they trust us? We had to earn their trust. We had to earn their respect. We had to earn their confidence. So the first year or two, when I went up and told the board, "This is factual," I don't blame them for saying "Well, is he really telling us the truth or not? Another guy told us, and we found out that we didn't know everything that we should have known." So I think it was a matter of that rather than the board suddenly decided they were going to involve themselves more. I think the board felt they had been had to a certain extent, and whenever that happens you overreact. If you have a staff member, somebody that works for you, that has worked for you for ten years and suddenly you found out that they have been withholding things from you or doing something that you didn't know about, suddenly you are going to start really scrutinizing really carefully. Then the next person that comes in is going to suffer until you gain some powerful incentive to trust in them. So I really think—then they would read stuff in the paper, some of which was factual—

7-00:13:29

Lage:

They are affected by the paper too.

- 7-00:13:30  
Kennedy: Some of which was not, and some of the regents got very exercised because they were being criticized. So it was just—
- 7-00:13:40  
Lage: And then you had new regents.
- 7-00:13:43  
Kennedy: Oh sure, well, it is changing all the time.
- 7-00:13:44  
Lage: They change.
- 7-00:13:44  
Kennedy: It can be pretty chaotic, and I think—I mean I like to think—that after a period of time that the regents developed trust in what we were doing. I made some good friends with some of the regents, and I think that they felt that I could be trusted and that I was telling them accurate things, and that I was trying to bring things that I thought were important. I wasn't trying to hide anything, but I didn't bring everything to the board. You really can't do that, so you have to make judgements. I think they felt I made some wise judgements. Frank Clark every once in a while didn't think that I made wise judgements, but that is okay. Again, reasonable people can disagree. I always respected Frank's opinion—didn't always agree with him. Sometimes I thought he was picking on me, but that is okay. It is part of the territory. I never took it personally, it was just part of the—
- 7-00:14:48  
Lage: Did you respect them as a group?
- 7-00:14:58  
Kennedy: Sure.
- 7-00:14:49  
Lage: And their role?
- 7-00:14:50  
Kennedy: Oh, absolutely. I think the trustees or the regents are absolutely essential. They are the governors of our system. I think again, the University of California is a great institution and part of that is, although they are politically appointed, those people care about the University of California. They really do. They want the university to do the right things. Again, administrations and boards can disagree, and individuals can disagree. Particularly when it is controversial: domestic partners, or affirmative actions. Those are going to split boards, split administrations. There is no way to avoid that. But in the end I think that everybody wants to do what is right for the University of California. And that is what is important.
- 7-00:15:43  
Lage: And you really, it sounds so good, but there must have been exceptions.
- 7-00:15:49  
Kennedy: Well, I mean—

7-00:15:50

Lage:

You make it sound too smooth.

7-00:15:51

Kennedy:

Well it is not smooth, no. I don't want to make it sound that it is smooth. It is a process which is managed by individuals, by human beings, and people have emotions, they have differences of opinion. Some people have motivations that you or I might not agree with. There are in a forum in which they have to interact, either as a regent or administrator or a dean or a faculty member or whatever. But in the end I really do think the university is served well by, in a sense—there is nothing wrong with tension. Tension can be positive, it can be negative, but it can also be positive. Differences of opinion and coming out with a solution that is perhaps is a compromise sometimes is a good thing. Vetting these things—the interesting thing about the UC is most of this is vetted publicly. Some things are done behind closed doors, but not much because of the open meeting law, all of these things have to come out in a public debate. So when I got beat up by Regent Clark over the defalcation in my risk management, that was done publicly. He didn't take me to the woodshed privately. He did that publicly. And that is not fun [laughing]!

7-00:17:15

Lage:

[laughing] I bet!

7-00:17:16

Kennedy:

Okay? And it was my watch and my responsibility even though I am not sure that I felt that I shouldered all of the blame. I had to sit there and take it then see my name in the paper the next day with a bunch of comments about what a terrible job I had done [laughing] with risk management. But.

7-00:17:36

Lage:

But. That is not easy. We have about twenty minutes and we have been talking about regents. Would this be a time to talk about the affirmative action meeting, which I hear you orchestrated—is this true? You kind of managed the meeting?

7-00:17:56

Kennedy:

Well, I, one of my far-flung responsibilities was running the logistics of the board meeting—the security, to make sure that everything that was needed to make a meeting work was in place. While I didn't do most of that myself, I had responsibility for other people. We frequently met at the San Francisco campus at Laurel Heights and frequently at Los Angeles. We met sometimes at other campuses, but those were the two venues where most of the meetings were held. So the campus police and security people really had the major responsibility for those logistics. But the affirmative action meeting, not just meeting, but meetings, were very difficult and contentious meetings, with a lot of outsiders, more than the normal number of non-university people, not just from interested onlookers. It was all over the country; Jesse Jackson was there, the Reverend whoever, whose name I am blocking out. But there were a lot of people there who had an agenda bigger than the University of California. And there were threats and there were people who were hell bent on disrupting the meeting and so forth. It wasn't just the final meeting in which the vote was taken, it was a series of meetings leading up to then.

7-00:19:28

Lage:

And they were all contentious?

7-00:19:30

Kennedy:

A lot of them were very contentious. We had one where a female security or police officer in San Francisco, some woman tried to come down to the regent's table, which we just don't allow, and this officer got there and she got knocked down the steps. There are some really ugly things that went on. So for the meeting in which the board was going to make of the decision, with the governor going to be there and all of these folks from outside the university and a lot of people wanting to be inside when we could only accommodate so many, and we had to maintain order. We went through an extraordinary effort to try and really make sure that it really worked well. That was not easy, because you had the governor coming with his security people, we had our security people. We had these outsiders, who some felt that they should have special privileges. The media, the TV cameras were there. The print press was there. Radio stations were there. It was just really kind of wild. We started early in the morning and we went to early in the night and we were disrupted a number of times. One of the more memorable [laughs] events was when I got a note handed to me by the chief of police at UCSF who said that they have bomb threat. What do we do? I went outside of the meeting room for a little bit and we chatted for a minute, and I said, "You have got to clear the auditorium." And he says, "Well, you know that we had the place scrutinized this morning and they brought dogs in." I said, "Look, I am responsible, and if anything happened with all these people here and all the media running in and out," I said, "who knows, and I am not going to take responsibility for someone being injured because we didn't take thirty minutes to clear the auditorium and just make sure." So I went up and I think, if I remember correctly, I think I handed the president a note [inaudible]. Governor Davis' security guy really—

7-00:21:49

Lage:

Wilson.

7-00:21:49

Kennedy:

I mean Governor Wilson, yeah.

Governor Wilson's security individual came after me and said, "What are you doing? We don't want to clear the auditorium, we are in the middle of a debate and so forth. You are an amateur, what do you know about security? We had the dogs in here this morning." I said, "Well, I may be an amateur, but it is my responsibility, not yours. If something happens, I am the person that is going to think about this for the rest of my life so we are clearing the auditorium. So we did. We cleared the auditorium and people were really upset. This was a big to do—all of these hundreds of people out, get the regents out—so we were walking outside and this security person was continuing to badger me and the governor came up, and I had met Wilson before. He was mayor in San Diego when I was at UCSD. He knew who I was. He said, "What is going on?" I said, "Well, governor, it was my decision to clear the auditorium, and I apologize for the inconvenience, but I was concerned." The security guard says "Well, you know we didn't have to do that." The governor said, "He made the decision, that is fine. Let's forget about it." And that was the end of it.

They came back in, they looked, they didn't find anything. Then everyone came back in, and then there were some disruptions, some really major disruptions, and we were getting towards the end of the evening when we knew that there was going to be a vote taken. So we got the regents out of there because of so much disruption. People were screaming, hollering, and we had—one of my strokes [laughs]—was to set up another room as an alternative if things really fell apart. So we had another room all set up in a different part of the building with all of the appropriate equipment to record the meetings and so forth. So we moved the venue of the meeting from the big auditorium to a smaller room for the final hours of the meeting. We let a certain number of media come in, and a certain number of other people, and that was it. Then the regents went through the final discussion and the debate and took the vote. By then it was eight in the evening or something like that.

People were just—I must say, I didn't agree with the decision. That is—I had little to do in terms of the debate. I didn't agree with the decision and I know that President Peltason didn't, and I think at the end of that meeting that the president was really as down as I have ever seen Jack Peltason, given all of the turmoil that we had gone through in the president's office when he first became president. He always had good humor and "We are going to get through this, we have just got to hunker down and get the job down." He was really quite dismayed over this decision. I felt really bad for Jack.

7-00:24:42

Lage:

Yeah, Yeah.

7-00:24:42

Kennedy:

Because he is a wonderful man, and he felt that he had done everything he could to try to keep the board on track and not go along with this change of policy. But they did. It was on TV. My wife was watching on TV at home, and she said that she saw me there [laughs].

7-00:25:03

Lage:

Did you have any role in negotiating kind of the substance of how—

7-00:25:08

Kennedy:

On the business side. There was SP-1 and 2. One had to do with admitting students and what have you, and the other one had to do with our business practices and our human resource practices.

7-00:25:23

Lage:

Hiring.

7-00:25:23

Kennedy:

So that part of it, yes I did. I had a lot to do with that. Quite frankly that part was easier than the student part, because we had a lot of affirmative action kinds of programs in place. We didn't have to change anything that was mandated by federal law and because we were a major federal contractor, a lot of things we had to do anyway. And we were able to easily implement, quite frankly, the business part of it.

7-00:25:55

Lage:

Without making too many changes?

7-00:25:57

Kennedy:

We made some, but it wasn't dramatic. Some reports that we used to garner information, report to the regents on certain things about affirmative action programs and certain profiles of employees, we stopped, but we had to do what was required by federal law. Those were not that far apart, so it was not that difficult. We were not the controversial part of it. It was the student part that was the controversial part. I mean there were hundreds of hours of discussions and debates within the president's office during this period about how to deal with all of this and how to try to convince the board that we needed to continue the affirmative action.

7-00:26:42

Lage:

Did the university have, —when I say the university, I mean the faculty or the president's office—have as uniform a view as what was put out to the outside world?

7-00:26:58

Kennedy:

I think, well I can only give you my perspective on that, and it is probably not as informed as someone's else's would be, because I am not that involved with the faculty in this kind of an issue, but my perspective was that most people felt that the affirmative action programs were worthwhile and were doing the right things—whatever their perception of the right thing is. Clearly there were faculty that felt that they needed to be set aside. Some of those faculty spoke at meetings and some of those faculty made presentations and so forth against the affirmative action. People would just always say, “Well, if you took a vote of the faculty, what would happen?” Well, who knows what would happen? But I guess that I always thought that if you took a vote of the faculty that in the end the faculty would vote the continue affirmative action. I don't think it would be a big 90 percent or anything, but I think if you took a vote of the employees, I think that it would be much more favorable towards continuing. If you took a vote of the students, I have no idea where it would come out.

7-00:28:08

Lage:

Did the chancellors have differences in opinion, or the senior staff?

7-00:28:12

Kennedy:

I think the chancellors, and those of us in the senior management, were pretty much uniform in terms of continuing. Because all of us had worked hard over the years to implement those programs, whether it be the academic side or the admitting side or the business side. I know when I was a vice chancellor I worked really hard to get small business and minority business into UCSD. I had a mentoring program to help people get jobs here. All of my senior staff were mentoring people to help them prepare the right kind of resume and fill out the application the right way. These were all the people that had the right skill sets. They just weren't familiar with the process. So we did a lot to help people. I felt these were all excellent, meaningful, well-orchestrated programs, and that they should have continued. I think they did good for the diversity. I think that it did help to diversify the university, which I think is a goal that we should have. Whether every little thing we did was absolutely the right thing to do, who knows. I think in the main, most of the management, senior management, felt that it had been beneficial to UC to do that and that we should.

7-00:29:35

Lage:

We are coming on four o'clock. It would be nice if we could kind of get a good stopping point.

7-00:29:44

Kennedy: Oh, well maybe that is a good stopping point.

7-00:29:45

Lage: Is that a good stopping point? We didn't quite finish with Peltason's presidency.

7-00:29:51

Kennedy: Yeah, but the rest I think we can do next time—the tenth campus, that is interesting, we should talk about that.

7-00:29:59

Lage: And what you did with technology transfer we need to go back to.

7-00:30:04

Kennedy: Yeah. That is important.

7-00:30:07

Lage: Okay.

7-00:30:07

Kennedy: But we can pick those up next time.

7-00:30:09

Lage: We will pick it up. Very good. I think it is a good place to stop.

7-00:30:12

Kennedy: Okay, good.

[Interview 4: January 21, 2004]  
[minidisc 8]

8-00:00:11

Lage:

Okay now, we are recording. This is the eighth tape. I'm calling this our fourth session even though we've really only met three times.

But last time we took a break in the middle. Okay, today is January 21, 2004, and here we are in San Diego talking about the Office of the President.

8-00:00:23

Kennedy:

Okay.

8-00:00:23

Lage:

Let's see. We left off last time mainly talking still about Jack Peltason's term, but I thought we'd begin with something you mentioned to me on the phone or in email about your sense of having three periods during your tenure at the president's office. Sort of a brief outline of that, and then we can go back to the earlier period.

8-00:00:50

Kennedy:

Okay, well, as I think back about the seven-plus years, the first roughly two years were pretty much crisis management. We talked about that previously. Then there was a period at the tail end of the Peltason presidency and the beginning of the Atkinson presidency where I was able to spend more of my time dealing with my responsibilities as opposed to dealing with the crises and was able to hire some new people, do some reorganization, try to take a little inward look about how we were managing our responsibilities. Development of better understanding between the Office of the President, particularly in the business and finances area, and the campuses as to who was responsible for what. So that was kind of the middle part. And then towards the tail end of my tenure, I was spending a lot of my time, and I would have to guess there were periods when it was half or greater, worrying about the DOE laboratories, because of the various issues, and the other major thing that was going on at the time were the dealings with the unions, and particularly the organization of the TAs, graduate student—

That was a trying period for a lot of us that were on the front lines of the union situation.

8-00:02:28

Lage:

And when did that heat up?

8-00:02:30

Kennedy:

Sort of the last couple years that I was there.

8-00:02:33

Lage:

Like 1998, 1999?

8-00:02:34

Kennedy:

Yes, and it was after Atkinson—I don't know. I would have to go back and look at the time frames, but there was a real push by the unions to organize the TAs. Lecturers were already organized, and the unions really waged a major battle to organize the teaching assistants. There was a lot of resistance on the part of the campuses. The chancellors,

vice chancellors for academic affairs, on the theory that TAs were students first and employees second, and that being a TA was part of the educational experience, not a job per se. I think there was, in general across the country, there was a push by unions to organize in the government not-for-profit sector, because I think they've lost a lot of members in the private sector.

8-00:03:34

Lage:

We should—let's hold that thought for a more in-depth talk after we cover the end of the Peltason period and that middle period you described. It seemed like a lot happened in the middle period.

Just to pick up something that happened during the Peltason presidency, I think we said last time we would deal with it, was the site selection committee, which you came on and chaired, the task force of.

8-00:04:00

Kennedy:

Right, I essentially took Ron Brady's place as the chairman of that committee, and a lot of work had already been done when I came on board in terms of a lot of the preliminary site selections. We were pretty much down to the Central Valley and three sites there when I entered the scene. There was a site in Fresno. There was a site a little closer to Fresno, and then there was Merced.

8-00:04:34

Lage:

So is Table Mountain the one that was out of Fresno?

8-00:04:38

Kennedy:

Yes. Table Mountain was the other one. Then there was the Merced site. We went out and looked at sites, and we spent a couple of days in the Central Valley listening to the pitch by the various constituencies that were trying to sell their favorite site. The committee was made up of—I chaired it. Walter Massey, who was my counterpart on the academic side. Walter was the provost and the vice president for academic affairs. Let's see, Chuck Young, Chancellor Young, from UCLA. I am trying to remember, there was one other.

8-00:05:22

Lage:

Bill Baker.

8-00:05:23

Kennedy:

Bill was on the committee. Perhaps that was the—

8-00:05:25

Lage:

Were there regents on that committee?

8-00:05:27

Kennedy:

Yes, there were four regents, and the prime person was the chairman of the board, Clair Burgener, and I honestly don't remember who the other regents were. I am not slighting them, but I just can't recall [laughs] at the moment. But there were a lot of differences of opinion on the part of the regents and university representatives.

8-00:05:58

Lage:

You mean between them, or did they break up within those groups?

8-00:06:02

Kennedy:

No, it was pretty much—I guess I would couch Clair Burgener on one side of the argument and Chuck Young on the other, as I recall the discussions, and regent Burgener's point of view was that the Merced site had all of the items that we needed to have a successful campus. There was the land and it was unencumbered, because it was in a trust. There was water available, which was another big issue, and clearly a very strong desire on part of the people of Merced to have a campus there. On the other side, I think the arguments were that it was relatively remote as compared to Table Mountain, and even the potential site in Fresno, which was sort of eliminated early on, on the grounds that one of the criteria was that it was going to be a 2,000-acre, full-blown University of California campus, and there wasn't land in Fresno to do that. There could have been an urban campus.

But I think in the end, the real issue was the unencumbered land, so that you could quickly move towards planning and actually building the campus, versus a site that was perhaps a little more accessible but had some issues that had to be dealt with in terms of putting the packages together to create the 2,000 acres, dealing with issues of water and environmental issues, and so forth. The committee actually did not take a specific recommendation forward to the board—

8-00:07:52

Lage:

Why was that?

8-00:07:53

Kennedy:

Well, because there was, I'd say, a fairly large difference of opinion. In fact, we never really took a formal vote.

8-00:08:03

Lage:

Oh, you didn't?

8-00:08:04

Kennedy:

No. And that was done on purpose, because I think the outcome of the vote was almost, probably would have been a tie. But we felt that there were clearly arguments on both sides and that this was, in the end, a regental decision anyway. So based on a discussion that I had with President Peltason, the recommendation—the informal recommendation that I made—was that we go to the board with two sites, Table Mountain and Merced, and present the facts, and have the board make the decision as opposed to going with a specific recommendation. That is what we did, and the board did in fact go for the Merced site.

8-00:08:52

Lage:

In hindsight, does it seem to have worked? You ended up running into environmental problems there.

8-00:08:59

Kennedy:

Well, my own personal opinion, is that probably the best thing that we could have done was to go for a site in Fresno.

8-00:09:13

Lage:

In the city?

8-00:09:14

Kennedy: In the city.

8-00:09:15

Lage: Oh.

8-00:09:15

Kennedy: And create an urban campus. I feel that way for a number of reasons, and again, this is only my personal opinion and I don't think it really carried any big weight with the committee or with the—

8-00:09:30

Lage: Did you push for it in the committee?

8-00:09:32

Kennedy: No, because by the time I got involved, I think the idea of an urban site was pretty much set aside for the reasons that I mentioned earlier, that there were these criteria developed, of a full-blown UC campus with a potential for 25,000, 30,000 students; 2,000 acres, and so forth. That certainly couldn't be done in Fresno. But it just seems to me, as I've thought about it and looked at material and thought about my own experiences on the campus, that the time that would be required to develop a campus was going to be very lengthy, because you are starting with basically nothing but 2,000 acres of land, and going from there. And that secondly, the difficulty of supporting yet another full-blown campus in the economic environment that we have found ourselves in in recent times. Just again there were budget cuts in the early nineties and the university was beginning to climb out of that a little bit. That it made a lot of sense to think about a campus that perhaps would be different than the other eight general campuses of university—like San Francisco. And that you could get operational very quickly in leased space, and certainly Fresno was very accessible to people in the Central Valley. It would in the long haul be less costly to have a program, an undergraduate and maybe graduate programs there, but they might be limited in terms of what they emphasized, because we wouldn't have the space to have a full-blown San Diego or Davis or Irvine kind of a campus.

8-00:11:18

Lage: But that might not have sat well with the Fresno, with the Central Valley legislators.

8-00:11:25

Kennedy: Well, I don't know that there was unanimity in the Central Valley legislators either [laughs]. Some were pushing Merced. People in the Fresno area certainly were pushing Fresno, and there were the Table Mountain advocates, and on and on. I think there's no question that there needs to be a campus in the Central Valley in terms of access. That's the least served area of the state of California, population-wise, and I think that decision was a very wise decision to locate a campus there. But I think that potentially you could have served the Central Valley population with a Fresno campus. But again, that's just my opinion.

8-00:12:08

Lage: Now, Bill Baker seemed very strong for Table Mountain. Did that come out in the meetings?

8-00:12:12

Kennedy:

Yes, and I don't again remember all of the details, but Bill had been through the whole site selection process, and I came in, again, very late in the process. It may be, I would have to ask Bill, I don't recall, but it may be because it was a little closer to the population center than Merced was. I think in the long haul, I'm sure Merced, once it gets built, like some of the newer campuses, it may take fifteen, twenty, twenty-five years before it fully matures. But population clearly is going to grow in the Central Valley because land is still inexpensive, and people will migrate to inexpensive land. So I think in the long run, it will probably work, but it is going to require the allocation of a fair amount of resources that potentially could be at the expense of existing campuses. I don't know, but potentially it certainly could be.

8-00:13:14

Lage:

What role did Chuck Young take? Was he embracing the idea of a new campus?

8-00:13:19

Kennedy:

Well, I think at that stage, that decision had been made.

8-00:13:25

Lage:

It was a given.

8-00:13:25

Kennedy:

There was going to be a campus, and the question was where. I think that, again, if I recall some of the discussions, I think Chancellor Young was of the opinion that Merced was isolated, and even though the land was available out there, that there was nothing else out there. There was no infrastructure. There were no good roads and there was no utilities.

8-00:13:50

Lage:

Probably harder to get to from the Central Valley than to go to UCLA or Berkeley [laughs].

8-00:13:55

Kennedy:

Right. So, there were these differences of opinion, but in the end, these are regental decisions, they're not administrative decisions, and I think that President Peltason made a wise decision to take options to the board and let the board make the decision. We tried, I made the presentation, we tried to present a neutral set of facts to the board so that we weren't pushing it one way or the other. Whether there were discussions amongst board members or anything, I have no idea about any of that. But they did come down—I don't remember what the vote was. Maybe it was unanimous.

8-00:14:37

Lage:

But it wasn't contentious, as you recall?

8-00:14:40

Kennedy:

Oh, I don't think so. I don't think it was a contentious meeting at all. But I'd have to go back and read the transcript to be sure. I attended so many regents' meetings over seven-plus years that I—[laughs]

8-00:14:56

Lage:

We should be sure to get the ones that do stand out in your mind. [laughs] Okay, well, that's probably enough said about that. I wanted to get a general sense of how Jack

Peltason operated as president, from your point of view, and how the Council of Chancellors operated under him. And maybe then contrasting him with Atkinson.

8-00:15:21

Kennedy:

Again, most of Jack's relatively short tenure as president I would describe as a sort of crisis mode. I think I mentioned earlier that I have great respect for Jack, because I think he brought back credibility to the Office of the President and the university during a period of difficulty with the legislature, the public, the press, and so forth. I think Jack really gets high marks for having done that. His style of managing was, and I think we've talked before about, there were some organizational revisions when Jack became president, an outgrowth of the transition team that Chancellor Young chaired, of which I was a member as a vice chancellor. But the organization that was embraced by Jack was—there was a box called the Office of the President, and in that box there were three people: the president, the provost-senior vice president for academic affairs, and the senior vice president, business and finance. And virtually everything flowed into the box, and while Walter Massey and I had some specific responsibilities, mine primarily in the business and finance area and his primarily in the academic area, we shared a lot of the sort of big policy issues, big crises issues. So the three of us worked very closely together as a team.

8-00:17:06

Lage:

In an informal way, or with regular meetings?

8-00:17:08

Kennedy:

We had regular meetings, there were regular meetings of the three of us.

8-00:17:14

Lage:

Like every day, or—?

8-00:17:15

Kennedy:

I don't think—well, when there was a crisis, yes, but on a routine basis, I don't think we met every day. We might have been together, the three of us, a couple of times a week, maybe three times a week, depending on what issues were on the table. But I think Jack was spending his time trying to mend fences with the legislature and the campuses and the faculty, and to sort of be the statesman, and Walter and I were trying to take care of our responsibilities and sort of move the agenda along. So there was the need for the three of us to talk on a regular basis, and we even—I may have mentioned this earlier—we even had a little group that met, for a while there we were meeting every morning, on sort of crisis management. That was Walter and Bill Baker and myself, and I don't remember who else was involved, maybe Jim Holst on occasion as the general counsel. Just to deal with some of these crisis issues that were just almost on a daily basis, if something new in the newspaper, or another audit finding, or legislature trying to punish the university for this or that, it was pretty wild.

8-00:18:33

Lage:

And then the vice presidents reported then to you and Walter Massey?

8-00:18:39

Kennedy:

Pretty much. We sort of sorted things out in that—well, Larry Hershman, who was responsible for the budget, wasn't a vice president at the time; he was an assistant vice president. Larry reported directly to Walter, and Walter took responsibility for the

budget, and that was a change from the Gardner administration. Con Hopper, who was the health affairs vice president, sort of reported to me on hospital and financial matters, and sort of to Walter on the academic matters having to do with health sciences, so Con was part of both of our agendas. Agriculture, which is an issue that is terribly important, but on a day-to-day basis was not taking up as much time as other things were, because it was not in a crisis mode, that sort of straddled the fence between Walter and me, but probably more on Walter's side than mine, because it had a heavier academic research bent to it than a financial or business bent to it.

Who am I blocking out on?

8-00:19:56

Lage:

Bill Baker.

8-00:19:56

Kennedy:

Bill sort of was the one person that continued to report directly to Jack, as the vice president for university relations, and because he was on the front lines with policy and dealing with Sacramento and so forth, he had a day-to-day relationship with Jack. So Bill continued to report—I don't remember what the organizational chart said, but pragmatically, he continued to report directly to Peltason.

And the general counsel, which under the reorg became a vice president and general counsel to the regents, which was also a change, because prior to that, he was just general counsel to the regents. I guess I would have to say that Jim Holst also, for all practical purposes, reported directly to Jack, although certainly Walter and I spent a lot of time with him, and I certainly had an excellent relationship with Jim, which is something that I felt was very important because he and Ron I don't think always got along that well. They had some fairly substantial differences of opinion—

8-00:21:09

Lage:

Over issues?

8-00:21:11

Kennedy:

Over who's responsible for what, and what's management versus legal advice, and so forth. My feeling when I went up there was that there was no reason to have an adversarial relationship. I had known Jim from my campus days, and I think we had a good relationship, and I was determined that it was going to be the same way when I became vice president, and I'd say I think it was.

8-00:21:38

Lage:

And that was unusual, too, I would think, for him to be reporting to the regents and to the president?

8-00:21:44

Kennedy:

Well, except pragmatically, the general counsel does wear two hats. I mean, on one hand, he is counsel to the regents, and has the responsibility of making sure that the regents as the corporation, as the trustees, don't get themselves in any legal difficulties and that they're following all the appropriate laws and so forth. But he's also the principal legal advisor to the president of the university, not as a regent, but as the administrative officer, the chief administrative officer, CEO of the university. So in

effect, he is wearing two hats. And sometimes, advice to the president and advice to the regents on the same issue could be a little different. [laughs]

8-00:22:41

Lage: That's why I say, it's a strange relationship.

8-00:22:43

Kennedy: And I think perhaps this was one of the issues that Ron Brady had, was that it was difficult for one general counsel to serve in a sense the two: fiduciary responsibility of the board and the administrative, executive responsibility of the president. And that perhaps Ron felt that those things should be separated. I don't think the board ever entertained that as a possibility. But there were some people hired into the business and finance arena who had legal background. My assistant, who was hired by Ron, Rebecca De Kalb, was an attorney by training. There was also someone hired in the retirement plan, UCRP, who had legal background.

8-00:23:40

Lage: So was that seen as sort of an end run around the general counsel?

8-00:23:44

Kennedy: I would suspect that it was, and we sort of fixed that after I was there for a while. We reassigned the person in UCRP and had that individual actually be part of the general counsel's office, even though we paid her salary. She had a day-to-day relationship with people in the retirement plan, but in effect, she was part of the general counsel's office. And in terms of the person who was my assistant, she actually got pregnant and took a leave of absence, and came back part-time, and then decided she wanted to be a mother and not a university manager. So that problem just disappeared. She was—

Lage:8-00:24:24

You can have an attorney who's a good manager.

8-00:24:23

Kennedy: Oh, yes, and she was a very good assistant. In fact, she was somebody that really helped me when I became vice president, because she knew sort of what was going on and had been sort of in the middle of all of it as Ron's assistant, so she was quite valuable to me.

8-00:24:45

Lage: Okay, what did you observe with the Council of Chancellors? How did that go? It's always seemed like a fascinating institution.

8-00:24:54

Kennedy: Well, the Council of Chancellors is a mechanism for dealing with the fact that the university is a decentralized university system.

8-00:25:11

Lage: But isn't that degree of decentralization sort of contentious sometimes?

8-00:25:16

Kennedy: Well, yes, it's probably always been contentious since it was invented, and probably will always be that way, because the campuses feel very independent, and the chancellors by regental policy are the chief executives of their campus. So they, in carrying out their responsibilities, feel they need to have flexibility in order to get their

jobs done. I think different chancellors have different points of view about the value of being in the system. Some perhaps feel that it has certain attributes, but they should be left alone in terms of carrying out their day-to-day responsibilities. I think other chancellors feel more part of the system in relying more on the president's office for help in various areas.

8-00:26:18

Lage: Would that be the smaller campuses, or newer, or—?

8-00:26:20

Kennedy: Well, not necessarily. I think it's more, in a sense, historical. The campuses all are very different, even though they're part of the system. Riverside is different than San Diego, and it has to do with the way in which they developed and the leadership of those campuses over time. And also to an extent on how the campuses developed the expertise in certain areas to carry out certain responsibilities.

8-00:26:57

Lage: Give me an example.

8-00:26:59

Kennedy: Well, I mean, one example that we're going to talk about later is technology transfer, which is something that I think some campuses, even going back to when I became vice president, were quite capable of carrying out technology transfer activities and serving the faculty, serving the university, keeping the university from getting itself into legal difficulties over intellectual property, because they had devoted the resources and hired the right kind of people to do that, whereas there were other campuses who either had programs that were too small, who didn't feel that tech transfer and intellectual property was a high priority, and therefore devoted little or no resources to it. So here you have one campus that's quite competent to do something, and another campus that could potentially get the university into great difficulty by some contractual arrangement with a company over intellectual property. And you can talk about—real estate is another area—where some campuses have been very active and have hired people who are expert in leasing of property and buying and selling real estate, which all the campuses do on occasion, and other campuses don't feel that's very important, although they still do it, because it's required, again can get the university, the corporate university, into difficulty.

So how do you in a sense find common ground between the Office of the President and the campuses among all of these various issues is sort of what we need to do. We need to have that neutral territory where the campuses are doing things that are necessary to carry out their business, but they're doing them in a way that is not going to get the campus or the system in difficulty, and if they don't have the capability to yield and let the president's office help in carrying out some of those responsibilities, and as I mentioned, real estate and tech transfer are the two really good examples.

8-00:29:19

Lage: When we get into tech transfer in more detail, maybe you can give more specifics.

8-00:29:25

Kennedy: Sure.

8-00:29:24

Lage:

So back to the Council of Chancellors, did some of these issues get worked out there? Just give me a description of how these meetings went.

8-00:29:33

Kennedy:

The Council of Chancellors meetings are held monthly—normally, they're held monthly. There is an agenda, usually prepared by the president's office, with input from the chancellors.

8-00:29:49

Lage:

Would you have prepared that as—?

8-00:29:51

Kennedy:

No, that was actually, as I recall, sort of a joint product of the president and the two senior vice presidents in terms of what were the important issues to deal with. In the early days, again, a lot of it was crisis management, keeping the campuses, the chancellors, informed about the various issues, if you like, in the system, and how we were dealing with them. But then there were always issues of budget to deal with, how things were going in terms of budget discussions with the state. That's always on the table most of the year. Issues of admissions, issues of federal dollars, research programs, and the like. And so there is an agenda. There is usually, as I recall, both Peltason and Atkinson at the beginning of COC meetings, there was a summary by the president of his issues, things that were on his mind, that are on his plate. Usually we'd go around the table for people to comment on whatever they wanted, and then work the agenda items. If it was a business and finance agenda item, then generally I was the person that was responsible for bringing the issue or the discussion to the table. If it was academic, it would be Walter. If it happened to be agriculture, it would be the vice president for agricultural affairs, or what have you.

8-00:31:31

Lage:

And did the chancellors bring their top people, their vice chancellors?

8-00:31:33

Kennedy:

No, in those cases—well, there were really two kinds of sessions. There was a session in which it was loosely called “chancellors only,” which only the chancellors were there, and the president, and usually the two senior vice presidents. And then there were sessions in which other people were brought in, the other vice presidents and maybe other people from the president's office. Generally, chancellors came on their own, and if the chancellors weren't able to be there, they would send one of their senior vice chancellors, usually the academic vice chancellor.

8-00:32:08

Lage:

But they didn't come supported by their—

8-00:32:12

Kennedy:

Well, maybe they were out in the hallway someplace, but they generally were not in the meetings.

8-00:32:17

Lage:

Was there an air of formality, or was it fairly friendly?

8-00:32:20

Kennedy:

Oh, it's pretty informal. And sometimes chaotic. I mean, you had always differences of opinion of how to address issues. Budget discussions and discussions on dealing with the unions, discussions of dealing with financial crises, there are always differences of opinion.

8-00:32:46

Lage:

Were there differences in how to deal with these crises that Peltason faced? Say just the public relations aspect of it? Was that discussed?

8-00:32:58

Kennedy:

Yes, there were some differences of opinion over some of those issues. I mean, one of the things that occurred at the beginning of the Peltason administration was a revamping of the benefits that were provided to senior managers in the system, primarily the chancellors and vice presidents.

8-00:33:22

Lage:

All the people at the meeting.

8-00:33:23

Kennedy:

All the people at the meeting. And there were certain benefits that were taken away, such as the deferred compensation. I don't know, there were some allowances to help chancellors pay for financial advice and so forth. In the scheme of things, these were not huge amounts of money, but they attracted a lot of attention publicly and in Sacramento. So there was a study of these, and actually this happened before I got there, but most of these were taken away from the chancellors and the vice presidents, with the exception of the housing for the chancellors. I think just about everything else disappeared. Now, the commitments that were made prior to it were honored, but once those commitments were over, then all those perquisites went away.

And clearly, there was unhappiness on the part of the chancellors about that. They felt that they had signed up as a chancellor expecting to receive these benefits, and then they would be taken away. Another one was the so-called terminal leave for chancellors and senior officers, whereas if you served, I can't remember, let's say five years or whatever it was, and then you stepped down, you got a one-year leave of absence with pay—

8-00:34:56

Lage:

Like a sabbatical.

8-00:34:57

Kennedy:

Like a sabbatical, to sort of reorient yourself for the next stage of your career, or retirement, or whatever it was going to be. I mean, that disappeared. When we went out to recruit new chancellors and when I was recruited, that was no longer available, and that was an important, I think, benefit, and a help in recruiting people to step into administrative roles. So there were clearly differences of opinion about that. But on the other hand, the president and the regents had to make certain decisions in order to get past the criticisms, and sort of equalizing or more equalizing the benefits between the top management and the rank and file faculty employees I think was important.

8-00:35:45

Lage:

Was this a meeting where there would be a vote taken, or did either Peltason or Atkinson—

8-00:35:49

Kennedy:

There were very—I can't remember ever taking votes at COC meetings. I mean, generally I think we tried to reach a consensus on issues, but in the end, it was the president who had to decide—

8-00:36:07

Lage:

They weren't decision-making.

8-00:36:08

Kennedy:

Well, you could say they were. They weren't decision-making in the sense that we kept careful notes, and at the end of the meeting, there was a paper put out that said we made decisions one, two, three, four, and five. I think it was more to discuss issues, to get people informed, for the president to hear the views of the chancellors and of the campuses, and to come to a view about how to go forward to the regents, or go forward to Sacramento, or whatever.

8-00:36:39

Lage:

One reason I'm asking this is because, I think it was David Gardner who made quite a point of how he used the Council of Chancellors never as a—only to hear what people thought, but really not throwing it out on the table and saying, What should we do? And then he thought that changed.

8-00:37:00

Kennedy:

I don't think Jack Peltason nor Dick Atkinson used it as a "decision-making body," where a vote was taken and whatever the outcome was, the president carried it out. I think again it was a mechanism for getting input, for getting informed, and for communicating, because we had to get certain information to the chancellors, and we had to understand the campus point of view about various issues. But in the end, I think the president decided what he needed to do, and I'm sure that some of the decisions that were made by the two presidents I served under were skewed because of these discussions. I mean, they heard what the campuses had to say and made their decisions. But I don't think that they were driven to make those decisions by vote or whatever, because we didn't take votes, and we didn't keep minutes either.

I mean, the idea was to have people feel free to say and express whatever they wanted, without concerns that it was going to be in the newspaper the next day. Everything in the university is pretty much available. There are few secrets, if any. As soon as you tell one person, it's no longer a secret. So I think the idea was to have an open discussion where people could feel free to give their points of view and not have them immortalized in some way that would perhaps later come back to bite them.

8-00:38:32

Lage:

So just that one that we talked about last time, was made public—[laughs] . The leak.

8-00:38:39

Kennedy:

Can't do much about that one.

8-00:38:41

Lage:

Okay. Well, let's just talk a bit about Atkinson's coming in and what changes that might have made, and then we'll go on to some issues. I think you're going to be able to describe people's styles and things that happened better when we have it attached to actual events.

8-00:38:58

Kennedy:

Well, the search for a new president in itself was an interesting set of circumstances, and I can't recall whether we've talked about this before or not.

8-00:39:13

Lage:

No, I don't think we did.

8-00:39:15

Kennedy:

Well, there was a search committee, and the regents pretty much, I think, dominated the search committee, although there were other people on it, and clearly there was input from the faculty and so forth. I was not part of that; that was above my pay grade, if you like. But yes, there was a lot of speculation that you heard from your colleagues at the campuses, and I don't know, there was just a lot of churning about who the next president was going to be. Internally, clearly the people that were mentioned, Atkinson and Chuck Young, as I recall, were the ones that were always sort of bubbling to the surface.

But in fact, the regents decided to offer the job to Gordon Gee, the president of Ohio State University, and it was kept, I think, pretty much quiet. I got pulled into it by the regents because they had to put a salary package together, so I was asked to attend the meeting of a group of regents, who I assume were the regents that were on the search committee, to talk about putting together a salary and benefits package that would, one, be attractive to the potential new president, and secondly, not cause another round of turmoil in Sacramento. So I remember sitting through this meeting, and—

8-00:40:50

Lage:

So did they give you the name at that point?

8-00:40:51

Kennedy:

Actually, Peltason told me who it was before I went to this meeting. And they were talking about—they, the regents, were talking about a salary package that in my head was going to cause some major problems in Sacramento. And again, I don't think it was unwarranted, but I just felt that it was—and I don't remember the specific numbers, and it really doesn't matter—but it was enough of an increase over what the current incumbent president was making that I thought it was going to raise eyebrows.

8-00:41:33

Lage:

Did it have benefit packages that were—?

8-00:41:36

Kennedy:

No, they were not offering anything special, because they just knew that they just couldn't go back to that at that time. But they were going around, and one of the regents asked me what I thought, and I was a little reluctant to voice an opinion. I was just there as a sort of resource person. But they kept pushing me, "What do you really think?" and I said, "Well, I think you're going to get into trouble if you offer that salary, because I

think again it's going to stir up controversy, both in Sacramento and potentially internally, with the fact that—" because it was so much higher than what anyone else was being paid-- president, vice president, chancellors, whatever.

8-00:42:26

Lage:

Why did they feel that he needed such a big—?

8-00:42:28

Kennedy:

Well, I assume that it was based on what his compensation was at Ohio State, and whatever discussions they had with that individual, which I certainly was not a party to. And again, I don't remember the exact time sequence, but I recall Jack Peltason calling me into his office one day and asking me if I was available one Saturday morning, and I said yes, and he said, "Well, the president-elect is going to be in San Francisco and he wants to meet with you." He was—

8-00:43:00

Lage:

This was all before any announcement?

8-00:43:02

Kennedy:

Yes, this was before any announcement. Although word had leaked out, because at a previous regents' meeting, some of the chancellors had found out that Gee was potentially going to be their new president, and a few of them were unhappy about that.

But in any event, so I sort of prepared myself for a Saturday morning meeting with Gordon Gee, who was flying in from someplace in the Far East, and I assumed it was a done deal. And about, I don't know, late Friday night, maybe ten, eleven o'clock at night, I received a phone call from Peltason and he said, "Well, the meeting tomorrow has been called off, and in fact, Gee is not going to be the president, that he's backed out." I have no idea what happened, no one's ever told me what the reasons were.

8-00:43:58

Lage:

You didn't ask?

8-00:43:59

Kennedy:

Oh, of course, but I never quite found out. Although I do know, based on just reading the *Chronicle for Higher Education*, and I knew some people at Ohio State, that the trustees at Ohio State evidently matched or even beat the salary offer that the university was making. But who knows what the reason was, whether it was that or something else, I have no idea. You'd have to ask Dr. Peltason that. I don't remember seeing that in his—

8-00:44:30

Lage:

He talks about this, but I really can't remember.

8-00:44:31

Kennedy:

I read Jack's oral history, but I can't say I read every word. I've read the parts that I was interested in, and maybe I missed that, I'm not sure. So in a sense, it was back to the drawing boards, and I assume—again, I don't know, because I wasn't part of it—that the two internal candidates really emerged as the key individuals. I think Chuck Young and Dick Atkinson were the two.

8-00:45:04

Lage:

Was this the time when Chancellor Tien was also being considered and felt slighted?

8-00:45:13

Kennedy:

I assume that he was considered, but again, I don't—because certainly he was still around, because he was there when Dick Atkinson became president, and then later he stepped down and Bob Berdahl became—because let's see, Bob's been here what, six years, I guess? Six or seven years, something like that.

8-00:45:35

Lage:

So do you have any insight into the choice of Dick Atkinson?

8-00:45:42

Kennedy:

No, I mean, you know, obviously I was pleased when Dick was named president, because he was a known quantity. Of course, I knew Chuck too; I think either one would have been okay with me. And again, I don't know what the regents' rationale was. I mean, I guess I do believe, and I would say this to Chuck, that some regents were not enamored with Chuck, for some of the things that he did as chancellor. He had some peculiarities at regents' meetings that I think put some of the regents off a little bit. He was prone at times to sort of saunter around the room and give his opinion about various things that maybe the regents weren't interested in hearing and so forth. But again, I have no real insight into why they chose Dick over Chuck. But it was fine, either one would have been.

8-00:46:45

Lage:

Did you do well with Chuck Young? He was so interested in management. Did you feel he supported—?

8-00:46:48

Kennedy:

Yes, I was part of the transition team, and Chuck and I got along very fine during those days. He was on the search committee when I was recruited, and as far as I know, he was an advocate for me, and I've not heard anything different. I think Chuck viewed me as one of the stronger vice chancellors in the system. I think he admired what we had done in San Diego in terms of the management of the campus. But clearly, Chuck was very interested in management, and I think devoted a lot of his time and UCLA resources to putting good management systems in place.

8-00:47:30

Lage:

More interested than most chancellors, is that right?

8-00:47:31

Kennedy:

Yes. I think so. I think UCLA, in the main, is and continues to be a well-managed campus. Not that they haven't had their issues, but we all have. It's not a perfect world.

8-00:47:47

Lage:

Okay, well, was there a contrasting style when Atkinson came in, or how did he come in? What did he bring—

8-00:47:56

Kennedy:

Well, first of all, Dick was a known quantity, because he had been chancellor for fifteen years when he became president, so he was well known in the president's office. Everybody knew him. I think his style is a bit different than Jack's. Dick is, I think, a bit

more focused in terms of how he spends his time. As chancellor, and as president, I think he looked at what the issues were and decided what he felt was really important for the university, whether it be admissions or SATs or whatever, and that's how he would spend his effort, in trying to take on those big and broad issues, and left the rest of the issues to his vice presidents and others. That was his style on the campus, and I quite frankly like that style, because that gives a vice president a lot more leeway; as long as you don't get the president in trouble, you can generally sort of do your thing.

8-00:49:03

Lage:

Well, you were also a known quantity to him, so—

8-00:49:06

Kennedy:

I was a known quantity to Dick. I mean, the changes that I recall—I mean, one is that he decided after getting input from a number of people that he was going to have the budget basically report directly to him. So Larry Hershman, even though at the time he was an assistant vice president, he reported directly to the president. Dick did that because he felt that it was vital to the future of the university, that he personally be very intimately involved in the budget.

And that was true here—I mean, in San Diego, I had responsibility for budget, and I reported directly to Dick. He did involve himself a great deal in budget issues, because again, it was very important. So that was a change. That in a sense took the budget away from the provost and vice president for academic affairs and moved it over to the president, so that would be Larry Hershman. And then later, we made Larry a vice president. In fact, I made that recommendation to Dick, along with Anne Broome; the two of them were advanced to the board at the same time, as vice presidents. I thought that was a good move for a number of reasons. One is I think Larry deserved the recognition, because he's been around forever and really, I think, has done an outstanding job in delivering resources to the university and in having extraordinarily high credibility in Sacramento. I mean, people trust him, he's a very straight shooter. Not that I always agree with Larry, but—

8-00:50:52

Lage:

What kind of things would you disagree on?

8-00:50:53

Kennedy:

Oh, methodologies for allocating funds.

8-00:50:57

Lage:

I see. To campuses?

8-00:50:59

Kennedy:

Yes, sure. I disagreed with him when I was a vice chancellor. [laughter] That didn't necessarily change when I became—but there was no right answer; there was just, What's the best way to go?, and people have differences of opinion. I got along very well and still get along very well with Larry. He's still the vice president for the budget.

8-00:51:19

Lage:

I'm sure they need him now. Need someone who knows it as well as he does.

8-00:51:22

Kennedy:

Yes. So that was a change, and I think Dick is much more of a one-on-one kind of a leader, in that he is less inclined to bring everybody in and talk about issues and come to a view. If it had to do with agriculture, he'd be more likely to deal directly with the vice president for agricultural affairs, and if it had to do with admissions, he was more likely to just deal directly with the provost, and if it had to do with a retirement issue, more likely to deal directly with me. And in a sense, that sort of fuzzied up, if I can use—it's a bad word—but sort of made less clear the organization, because this box with the president and the two vice presidents actually was not as functional as it was when Peltason was president. And I had—

8-00:52:18

Lage:

So he would take people who reported to you and—

8-00:52:22

Kennedy:

Well, I mean, in theory, there was not what I'd call a super-formal arrangement. We all worked together, but under Peltason, it was pretty clear that Jack used the box. The Office of the President was where everything sort of flowed into, and it was up to the three of us to kind of sort it out, which we did, and it was kind of informal, but everybody understood it. Dick is more inclined to dip down and say, "I've got an issue, I want to hear directly from the vice president for health affairs about this particular matter." So as a consequence, the box kind of broke down, and there were—fundamentally, all of the vice presidents were sort of reporting to Dick. We never changed the organization chart, though. I had a few discussions with Dick about that, and he basically, I think, didn't want to deal with going through some big review about organization. That was his style, and he's a very smart guy, and I mean, it worked. So you adjust your style to his style.

8-00:53:30

Lage:

But did it leave—who was the provost after Walter?

8-00:53:34

Kennedy:

Jud King.

8-00:53:37

Lage:

Yes, Jud King. Did it leave you and Jud King out of some of the discussion where you might have—

8-00:53:42

Kennedy:

Yes, sometimes it did, and sometimes we had to go—well, one thing we did to fix that, quite frankly, is Jud and I, and actually I started it, we started to have meetings of the vice presidents absent the president. And it wasn't secret; it wasn't like we did it behind Dick's back. It was to deal with issues that the president really wasn't interested in, sort of more detailed things, but that we had to all understand so that we could have a common position or front with the campuses, with external folks, with the faculty, with whoever. So it was really important to have that kind of communications among the vice presidents, so we met, I think we were meeting weekly. All the vice presidents were invited, and unless they were out of town, everybody showed up. We would work major issues and communicate with each other, so that we all then knew what was going on, because we weren't getting that feed out of the president's meetings. Dick had meetings with the vice presidents once a week, and he had meetings with a larger group

that brought other people in, like the secretary of the regents and so forth. Those were more, I don't know—they were informational, but they were less issue-detail-related. You went around the table and had people, sort of brought people up to date, but it wasn't the kind of meeting where you got any real insight into what the issues were and what was going on.

So these vice presidential meetings in a sense filled in for what we were doing as a group with Peltason that we weren't doing with the group with Atkinson, because Dick was focused on these bigger issue and not down at some of the detailed level.

8-00:55:33

Lage:

Would it also be an opportunity for you to kind of work out a policy before one vice president took it to Atkinson?

8-00:55:41

Kennedy:

Well, I mean, if it were something of significance, sure. Where it was broad enough that all of us had a piece of the action, so to speak.

8-00:55:50

Lage:

So many things seem to go between the academic and the business side.

8-00:55:53

Kennedy:

Oh, they do. Yes, and Jud and I, we had offices right next to each other in the Kaiser building, and then when we moved to Franklin Street, we had offices right next to each other. Jud and I saw each other every day, and we had frequent communications. So that didn't change. I had a great relationship with Walter Massey, and I think I had a very good relationship with Jud. We were in meetings together, and we worked issues together, and so forth.

8-00:56:25

Lage:

So the structure adapts to the man at the top.

8-00:56:28

Kennedy:

Of course. I think it has to. Very much so.

8-00:56:30

Lage:

Did Atkinson kind of shoot from the hip sometimes?

8-00:56:36

Kennedy:

Well, I mean, I think a lot of people think that Dick was on occasion a hip-shooter. I guess I have a slightly different take on that, in that I think some of Dick's hip-shooting pronouncements are more in terms of trying to see what kind of reaction he gets from people. I mean, he's a very smart guy. Don't ever underestimate how smart he is. He is a psychologist by training, and so although mathematics is more his leaning than any kind of clinical psychology or whatever, but Dick I think understands human nature and he understands people. So he has ways of making pronouncements that are I think designed to see what kind of reaction he gets. If he gets a positive reaction, then maybe he pursues it; and if he gets a negative reaction, maybe he doesn't. So I don't think Dick's one that would just say something or do something without thinking about it. I think most of the things that he said, sometimes even when people felt it was in anger, I think most of it was not just some angry reaction but—

8-00:57:59  
Lage: Kind of a calculated decision.

8-00:58:00  
Kennedy: Calculated, right. And—

8-00:58:04  
Lage: Is there an example of that?

8-00:58:06  
Kennedy: Hmm. An example. I'm sure I can think of one; right at the moment, I'm sort of blanking out.

8-00:58:17  
Lage: Well, maybe as we—

8-00:58:17  
Kennedy: Yes, I'm sure we'll find something.

8-00:58:21  
Lage: Some people felt that he gave up too much to the state government authorities, or to the regents.

8-00:58:31  
Kennedy: Well, I mean, we can talk about the regents first: dealing with the regents. My view is the regents are the trustees of the university, and it's their responsibility to provide the oversight and to develop the policy and to make sure that those policies are being followed. There's not a clean division between that responsibility and some of the things that those of us who manage the university had to do. I think there was a view under Gardner that the regents were kept in the dark about a lot of things, and maybe that's true, maybe it isn't. The historians can figure that out. But I think that the board is entitled to know whatever it is they want. I mean, it's not our job to take everything to the board, but if a regent asks you a question, I think he or she deserves an answer. Hopefully the regents will not engage themselves in management details. That's not what they're there for. And hopefully they will elevate themselves to be policymakers and to look at the big picture. But on the other hand, if the regents want to know something, I mean, I think you have to tell them and not keep it a secret.

So I think my attitude with the board was that I was there to serve the board. I was there to do my job and to serve the board, and in effect, they were the trustees, and it was my responsibility to provide them whatever they wanted. Some of them wanted a lot more than I felt they needed in terms of details, and some of them were more interested in managing than in policy. Some of them were what I would call high-maintenance regents. You had to spend a lot of time providing them with information and interacting with them. But you sort of adjusted yourself. And I don't think Dick—I mean, I think he had a good relationship with the board, and I think he was pretty candid with the board.

And if you're going to take on issues and you're going to have to make decisions and make change, you need the support of your board. So having the board informed and supportive of what you're doing is important. It's hard to do things if the board is going to be opposed or make public pronouncements because they don't agree with whatever

the president or the vice president is doing. So I mean, I think you've got to adjust to the tenor of the board. And the board changes. You get two, three, four new members a year, they come in with a different experience, and they're there for a long time, twelve years. So I think it's incumbent upon those of us who sat at senior levels to try to work as best we can with the board and provide them what they need. And I think Jack did the same thing. I don't think there was—

8-01:02:06

Lage: A similar relationship, you saw?

8-01:02:08

Kennedy: Yes, I think so. And again, there are always issues in which the president may disagree with a decision the board makes. He can decide whether he wants to make a big to-do over that. He may just say, "Okay, this is what the regents want to do, I have to do it." Or he may say, "The regents have made this decision but I disagree with them." I mean, affirmative action is a great example of that. Clearly, Peltason was not in favor of the board's action. He was very public about that, before, during, and after. But on the other hand, once the decision was made, then it was our job to carry out that decision or go find another job. It was pretty clear. But you have to carry out the board's policies.

8-01:02:54

Lage: The regents kept a pretty close watch on that too, I remember.

8-01:02:57

Kennedy: Of course they did.

8-01:02:57

Lage: Didn't they take Atkinson to task for not instituting—

8-01:03:03

Kennedy: Well, there were some issues, and you'd have to get the details of that from Atkinson. But there were some issues about the way and the timeliness of the implementation of some of that. I think there were some misunderstandings, both on the part of the president, the regents, the governor, and so—but it all got settled out eventually. From my point of view, on the SP-2 side, which was the business and affirmative action for staff, that was relatively easy to implement. We were able to do that fairly promptly, on the time schedule that we were supposed to. I think on the admissions side, it was clearly much more difficult and took longer to really understand how to get that in place. I think there were clearly some differences of opinion, and I think Dick did take some shots for that, from the regents and from the governor, but I think in the end, he did what he was supposed to do.

8-01:04:05

Lage: Okay, how are you doing in terms of—?

8-01:04:11

Kennedy: I'm doing fine. At some point, we ought to get a bite to eat. Maybe—

8-01:04:17

Lage: Twelve-thirty? Do you want to do that now, or after technology transfer?

8-01:04:21  
Kennedy: Well, that will probably take a while, so—

8-01:04:25  
Lage: Want a break?

8-01:04:25  
Kennedy: We can take a break. Let's do that.

[minidisc 9]

9-00:00:09  
Lage: Okay, we're starting up after lunch, January 21, 2004—still not quite used to that—with Wayne Kennedy. We thought we'd start out talking about the whole technology transfer program. We talked about San Diego in our first interview, I think, or second. What happened when you went to the president's office?

9-00:00:38  
Kennedy: Okay. Actually, I think to get a perspective of tech transfer, one has to talk a little bit about what happened before I went to the president's office, and again, I don't remember the specific dates, but I actually was on a search committee that was looking for a new technology transfer director for the university systemwide, and was asked to serve on that committee by Ron Brady. So I was part of the committee that recommended Carl Wootten, who was the director before I went to the president's office and when I got there.

The thrust of the last couple of years or so that Ron was vice president was to have a more centralized technology transfer operation, and to even create potentially a couple of corporations. One idea was a not-for-profit, and another one was a for-profit, in order to mine the economic value of the university's intellectual property.

This was very controversial. That's the reason I wanted to get it out, because it sort of plays out into when I started my tenure in the president's office. It was very controversial for a couple of reasons. One is the faculty who are the drivers of technology didn't like the idea of having this centralized. Some of it is what we talked about earlier, campus versus Office of the President kinds of issues. But I think also the faculty felt that they had to be more intimately involved with intellectual property since it was being generated out of their research. President's office generally doesn't do research. It's done at the campus level. So that was one issue.

The second issue was that there were, I won't call them promises, but there were indicators put out there that potentially this could generate very large sums of money.

9-00:03:09  
Lage: For the university?

9-00:03:10  
Kennedy: For the university. And this, you have to remember, was at a time when the budget was sort of under siege, right around the time Jack Peltason became president, the first year or two of Jack's tenure, there was, on top of all the other controversy, we were in a very difficult budgetary situation. We were cutting, we were laying off, and raising fees, and

so there was a lot of controversy about that. This tech transfer idea, intellectual property idea, was being sold in Sacramento, I believe, as potentially one solution to the financial problems of the university. There were a lot of people who never believed that that potential was really there, and quite frankly, I'm one of them.

9-00:04:00

Lage: The idea being that the university would have corporations that would make use of these—

9-00:04:06

Kennedy: The idea would be to take the intellectual property and either through startup companies or licensing it to existing companies, in which the university might have an equity share, that that would create a revenue stream, which is true. The question is, how big would that revenue stream be, and how much would it impact the university. It was being touted as potentially a very large source of revenue, hundreds of millions of dollars. I don't think many of us believed that that was possible. Not impossible, but difficult at best.

9-00:04:48

Lage: Was that a Ron Brady vision?

9-00:04:50

Kennedy: That I think was Ron's vision, and Carl Wootten's vision, that there would be this very tight, centralized organization, that all of the technology would flow into it, decisions would be made about what potentially was marketable, and they would license it perhaps to this not-for-profit for starters, and the not-for-profit would either create new companies or work with existing companies in order to take that technology to the market, make whatever investments had to be made to bring it to market, and then it would create value, and the university would be the beneficiary, at least for some percentage of that value.

9-00:05:32

Lage: Really putting the university into business.

9-00:05:35

Kennedy: Well, I mean, every university in the country markets its technology, as does the University of California. And it does create an income stream, and that's important, and we should do that, and that's certainly something that is recognized by the federal government in supporting research. Under the Bayh-Dole Act, the technology belongs to the institution, not to the government. So we're free to do that. The question is, is that potential a hundred million dollars a year, or is it five hundred million dollars a year? Well, for the University of California, just to put it in perspective, last year, or the last year that was accounted, which was probably '01-'02, I think the number is \$88 million systemwide was generated from licensing fees and so forth. I mean, that's a large sum of money, but in the context of a \$15 billion a year University of California budget, or expenditure base, and thinking of it as the nine campuses, it's not going to change the direction of the university financially. We'll just leave it at that.

So that was very controversial. And again, I was part of hiring Carl, and I have great respect for Carl as a person who really understands the intellectual property and

technology transfer. I don't think, however, he appreciated the structure and the governance of the University of California and the role that the faculty plays.

9-00:07:13

Lage:

Where did he come from?

9-00:07:15

Kennedy:

He, I think his previous position was with a company that he had created to service universities that didn't have their own technology transfer offices. And beyond that, I don't remember. But he was a known quantity. I mean, he had a good reputation around the country. And again, I had the utmost respect and regard for Carl Wootten, and I think the failure was in not recognizing that the faculty, who are the creators of this intellectual property, in the context of the University of California, play a different role than perhaps the faculty at the universities that he had worked with. So there was this kind of tension that was out there, one the money part, and two, the relationship between the faculty and the tech transfer. And to a certain extent, the campuses, who again, like we talked about earlier, many of them wanted to do their own thing and not be subservient to a central technology transfer office. And that's sort of when I came into the president's office, and actually, it started in a sense—not in a sense, it started before I got there, and at that particular juncture, Ted Hullar, who was then the chancellor at UC Davis, was in the president's office on a leave from Davis, and Jack brought Ted into the president's office, and one of the things he asked Ted to do was to try and deal with this technology transfer issue. So when I got there, there was Carl Wootten on the one hand, who was still operating under this assumption that there was going to be some kind of a big centralized effort; Ron had stepped down; there were these expectations out there that this was going to be a big money-generator; and then there was Ted, who came from an aggie campus, trying to help Jack sort of wrestle with this thing.

9-00:09:26

Lage:

And an aggie campus has these—

9-00:09:30

Kennedy:

There are plant patents and so forth, but not—I mean, Davis has come a long way since those days in terms of their other research programs. In fact, they had other research programs then. But I think the perspective was more of the agricultural kinds of patents as opposed to biotech, high tech kinds of activities.

9-00:09:55

Lage:

And a different kind of faculty there.

9-00:09:57

Kennedy:

Right. And so there was just a lot of turmoil going on, and in effect, the tech transfer office reported to me. Carl Wootten reported to me, and here was Ted as now, I guess, assistant to the president or whatever, on leave from Davis, trying to get a foothold in all of those. Ted wrote some very nice papers in order to try to focus in on what the issues were.

But at some point, Jack, I think, came to the view that we had to really get hold of this, because he was, I assume, getting complaints from the campuses and from the faculty, Academic Council. So he asked me to really take this on as a major issue and to try and

resolve and to come up with some policies and a model that would in a sense bring peace to the UC valley. So I put together a technology transfer advisory committee with representatives from the campuses.

9-00:11:05

Lage:

From the faculty?

9-00:11:06

Kennedy:

Most of the reps from the campuses were faculty members. Not all of them, but most of them were faculty members. And there were reps from the Academic Council. In a relatively short period of time, we came up with a report, which I think had two major attributes. One is that the tech transfer program really needed to be faculty-centric, if I could use that word. That it had to be responsive to the needs of the faculty, because again, they're the ones that are generating the intellectual property. And that, to the extent that it made sense, it should be decentralized, with systemwide oversight. The way in which we implemented that was to work with individual campuses and those campuses that were willing, and I'll use San Diego as the model, to invest the resources and to have the appropriate staff and support to carry out a tech transfer program, that we would delegate to that campus a fair amount of autonomy in tech transfer. Again, following the systemwide policies and so forth.

And other campuses, and I'll pick a Riverside or Santa Cruz as examples of campuses that were still relatively small, really didn't have a large enough research program to warrant investing the money in a full-blown technology transfer office, that we would have the capability centrally and that we would service those campuses. But that any time a campus wanted to move out and become independent, as long as they convinced us that they had the right things in place, then we would negotiate an arrangement.

We actually had an agreement with each campus that spelled out what they were going to do and what we were going to do. And in some cases, the campus had the majority of the responsibility and authority, and in other cases, the president's office had it, depending on the circumstances.

9-00:13:16

Lage:

Now, that was dealing with the campuses. What about with the faculty? What were the differences there?

9-00:13:21

Kennedy:

Well, the faculty, I think in the main, liked the model, because again, it emphasized this sort of faculty-centric kind of model. That it had to be responsive, faculty-friendly, and the like. Now, the proof is in the doing, not in putting it on paper. And over a couple of years, I think we convinced most of the faculty that it was the right way to go. Those campuses that were independent I think enjoyed, or got there quicker than the ones that were still relying on the president's office. So that was part of the puzzle.

The other part of the puzzle was, we had an office, this central office, that was not quite as faculty-centric as it needed to be, and so at, I can't remember the timing any longer, but at a certain point in time, Carl left. He resigned and left.

9-00:14:18

Lage:

So he just didn't fit in that—

9-00:14:21

Kennedy:

It just was not his sort of culture, his way of doing things. And I think that he had alienated a sufficient number of people that it was a really difficult task for him to sort of turn it around and become someone that the faculty could work with. And again, Carl had all of the technical talents. He knew the business, he knew intellectual property very well, and was a national figure. So in a sense, it was too bad, but that was just the way the thing turned out.

9-00:14:58

Lage:

Now, his office was one of those areas that got a lot of press attention and charges of impropriety and whatnot.

9-00:15:05

Kennedy:

Yes. Of which none of them were ever proven to be factual. There were a lot of allegations, starting with where they were physically located, which was at Harbor Bay, and in space that was rented by—I'm blocking on the man's name—Cowan—

9-00:15:22

Lage:

Ron Cowan.

9-00:15:23

Kennedy:

Ron Cowan. And there were audits and investigations, but to the best of my knowledge, no one ever proved that there was anything inappropriate that had gone on. There was the perception of it, and I always remember the ad that appeared in the *Wall Street Journal* with Carl Wootten, full-page ad with Carl's picture at Harbor Bay, touting how wonderful that physical facility was, which was not the right thing to do.

9-00:15:50

Lage:

Oh, so he lent his image to—?

9-00:15:52

Kennedy:

Well, and the University of California's image, which was not appropriate. But again, there was no—

9-00:15:57

Lage:

Was that before you were on board?

9-00:15:59

Kennedy:

I think it was about the time, I can't remember exactly. It was either about the time or right after.

9-00:16:04

Lage:

It seems so inappropriate.

9-00:16:05

Kennedy:

Well, it was inappropriate, and again, Carl's frame of reference, he didn't think there was anything wrong with that, and again, there was no, ever any evidence that he was paid to do it or anything like that. But there were just all of these perceptions out there, innuendoes of misbehavior that made it very difficult.

Now, I was very fortunate in that there was an individual at the UCLA campus, Terry Feuerborn, who was the UCLA research administrator, contracts and grants, intellectual

property and the like, and I somehow talked Terry into coming up in an acting capacity to fill in the gap while we were trying to recruit somebody. But if I'm real honest, I really wanted Terry up there permanently, because he had the right background and he also had the right instincts, and the right sort of cultural upbringing at UCLA in terms of dealing with the faculty. So Terry came up there, and the first year or two were very difficult, because he had to change the culture.

9-00:17:17

Lage:

In his office.

9-00:17:17

Kennedy:

And he had to change some of the staff, and it was very difficult. But he did just a magnificent job, and over time, I think gained the respect and the office gained the respect of the faculty and the campuses. Not that it was perfect, and not even today, I am told that they are again reviewing the policies to see if maybe there should be more decentralization than there is currently.

The problem that I see with trying to decentralize everything in the intellectual property arena are the same problems that existed in 1993. That is that one, some of the campuses either don't have or aren't willing to allocate the appropriate amount of resource to staff up an office that will be able to provide the service. Number two, there aren't a large number of people around the country that have the right training and experience and cultural background to do that job, and so recruiting a Terry Feuerborn times nine or ten, or even thirteen if you count the labs, is going to be very difficult to do.

And finally, because the University of California, while it has ten campuses and three laboratories, it is a single corporation, and the actions of one campus from a legal point of view can jeopardize other campuses. So having an agreement with a company in an intellectual property area where you may decide to pass on background rights in a particular field could be construed legally to encompass not just that campus but other campuses. Or one campus dealing with a large corporation—I don't know, pick any one, Ford or General Motors, General Electric, whatever—cutting one kind of an arrangement, and then another campus going off and doing another agreement with that same company with a different kind of arrangement, which could create problems, potentially legal or financial or what have you. So somehow you've got to set up a system that takes into account that this is a single corporation, and that what one arm of the corporation does can have an impact on the other arm, in the intellectual property-tech transfer arena. And maybe good communications is the way to do it. In a perfect world, you'd be able to have thirteen top-notch offices and they all talk to each other, and the president's office would have a policy oversight group and sort of a watchdog group and so forth. But I think as a practical matter, trying to do that with the issues that I mentioned earlier would be very difficult.

So I think we've made progress, although again I am told that it's up for reviews, and some of the campuses aren't all that happy with the service they're getting out of the president's office now, because things have changed. Terry retired, and there's a person that was recruited right before I left, and I don't know whether he's doing a good job, an okay job, or a great job, but I think cyclically, these things just sort of churn and come up for review periodically.

9-00:20:51

Lage:

Did the general counsel staff that legal—it seems like there would be many, many legal issues.

9-00:20:56

Kennedy:

There is an attorney—actually more than one—there are attorneys in the tech transfer office who are actually part of the general counsel's office. They're residents in the technology transfer office, but their administrative, organizational home is general counsel. Yes, there's a lot of legal—I mean, there have been lots of court cases with the university suing or being sued over technology transfer issues. It's a very difficult area, and there is not a great solution for it. You have to just keep chipping away at it.

9-00:21:38

Lage:

What about issues having to do with faculty, the percentage that faculty will get for an invention, or the amount of time they can spend—?

9-00:21:48

Kennedy:

Well, the time is really—I mean, faculty do research, and that's where the intellectual property comes from. The issue of a faculty member becoming involved in a company again is potential conflict of interest as well as conflict of commitment, and there are policies in place that describe what a faculty member can and can't do.

9-00:22:13

Lage:

Did you revise those?

9-00:22:13

Kennedy:

Those policies have been revised over time. The issue of how much of the income a faculty member gets, those policies have been revised at least three times in my memory. At the moment, I think the faculty member gets 35 percent of the net income to the university. There was a time when it was 50 percent; there was a time when it was on a sliding scale. I think, unless it's changed recently, I think it's 35 percent. And I think that's probably fair, and I think it's probably in concert with what goes on around the country.

We used to have this diagram that Terry Feuerborn made, it was called the Pyramid of Disappointment. [laughter] If you look at the base of research in the university, it's billions of dollars; and if you look at the number of disclosures—that is, a faculty member thinks he or she has an idea that may be patentable and marketable intellectual property, so they disclose this, and it's a very large number every year. The actual number of those disclosures that are patented is a lot smaller—

9-00:23:29

Lage:

What does it mean to disclose?

9-00:23:30

Kennedy:

It means that you have an obligation. When you become a University of California employee, you sign a patent agreement that says any intellectual property that you develop belongs to the University of California, and you have an obligation to disclose to the university ideas that you have that are potentially patentable and marketable. And so—

9-00:23:50

Lage: I see. Has that always been, or—

9-00:23:52

Kennedy: That's always been. Well, at least as long as I've been around. I think I signed one in 1973 when I became a university employee. The form has changed, but the principle is still the same.

9-00:24:02

Lage: That's nothing new.

9-00:24:02

Kennedy: So if you have an idea and you're doing research on an NSF grant or a NASA contract or whatever, or just doing it independently, you have an obligation to disclose that to the university. So you file that disclosure. Again, that's a very large number every year—hundreds, maybe. Then the number of those disclosures that are reviewed and actually deemed as patentable and potentially having some kind of marketability is even smaller—

9-00:24:33

Lage: And would that be reviewed by either the campus office or the president's office?

9-00:24:36

Kennedy: Right, or both, depending on the nature of what it is. And then, the decision as to whether or not to file for a patent, which costs money, it's not free, and what potentially is the marketability of that idea, that device or that drug or whatever. And then the actual number which are actually patented is even smaller, and the number that actually are marketed is even smaller. And then the number that generate much money is tiny. It's just a few patents every year that generate the bulk of the money. So most of the faculty members who disclose, actually get a patent, and their patent actually goes to market, and it's licensed to a company or a new company is formed or whatever, the amount of revenue generated is relatively small. A few faculty members obviously may make a lot of money, but—

9-00:25:30

Lage: And those are the ones we hear about.

9-00:25:32

Kennedy: And quite frankly, I don't think most faculty view it as something they do to generate personal wealth. I think the faculty are more interested in support for their research and the like. So I think most faculty would be more interested in making sure they have support for their research.

9-00:25:53

Lage: Well, what were the issues with the faculty? I heard things raised like that it restricts the free flow of information, that sometimes the university can ask that something not be published, because once you've published it, you can't get the patent rights—

9-00:26:10

Kennedy: Well, that I think is potentially a problem. I think there are not many instances, at least in my recollection in thirty years in the University of California, where faculty members were prohibited from publishing because of intellectual property. Maybe asked to hold

off until appropriate papers were filed or whatever, but I don't think there is much of that that goes on in terms of actually preventing anybody from publishing—at least, I don't know of any. I think that's a perception that's out there, but I don't think there's a lot of substance to it.

9-00:26:54

Lage:

What were the faculty objecting to? You'd think they wouldn't worry so much about the administrative structure.

9-00:26:59

Kennedy:

Well, it's just that if you're a faculty member and you've invented something, or have an idea that you think is potentially marketable or has some value to the general public, you want to be part of pursuing that. And I think the faculty's view was that this was in a sense being taken over by the university, and they were kind of being pushed to the side. So what we tried to do was, again, this idea of what I call faculty-centric, and that is to make sure that as decisions are made, that the faculty are involved, in the end, it's the university that has to make decisions, but you take input from the faculty, you engage them in the process, and you make it easy for them to file their disclosures, you try to cut down on the bureaucracy and so forth. And make the faculty feel like they're part of the solution. I mean, a lot of it is perception, but if that's what people think, it doesn't matter whether it's real or not.

And then there's the issue of dealing with companies, and there were a lot of complaints from companies that the university was not very friendly in terms of its relationships. Well, I mean, some of that was probably true. On the other hand, some of it was companies just trying to position themselves. We did hard negotiate sometimes, and that's in the university's best interest. If we—

9-00:28:34

Lage:

Is that what they meant by not friendly?

9-00:28:35

Kennedy:

Well, in some cases, yes. They were looking for an edge, if you like. So again, some of it was perception, some of it was reality. There were issues with some of the agricultural boards, for example, that had supported research where they wanted the university to just give the patents to them.

9-00:28:57

Lage:

An agricultural board, you said?

9-00:28:58

Kennedy:

Yes, like the agricultural board that supports research in, I don't know, viticulture or something. So they're a board that takes contributions from their members, and then they fund research, maybe to solve problems of diseases of grapes or vineyards or whatever, and so if you invented something, a new stock of grape or something that would be disease-resistant, the university would patent that and it would get a royalty on every new stock—it's like strawberries. We get a little piece of every strawberry plant, because we have most of the strawberry patents in the world. Strawberry board probably thinks we should give that for free. Even though they supported the research, the university is providing the infrastructure, the facilities and everything to do that research.

9-00:29:54

Lage:

Oh, I see, so the agriculture board, strawberry board, might have paid for the research.

9-00:30:00

Kennedy:

But not for the capability that the university has developed over time. So these are not UC issues only. These are issues for most universities, if not every one in the country, to deal with. It's just that we have more of all of these things. [laughing]

9-00:30:19

Lage:

All the campuses.

I came across a record of the president's retreat in 1997 having to do with this. Was that an important event?

9-00:30:29

Kennedy:

Yes, it was a retreat to bring together people from around the university who had an interest in the technology transfer and intellectual property area. And also to bring in people from industry to try and come to grips with some of the problems that we were facing. And again, some of them were perceptions, some of them were real. It was a very good couple of days, as I recall. I was very much involved in it. We had plenary sessions, we broke up into groups, and out of the meeting came a whole series of recommendations and action items that were followed up over time by the president's office. Many of the recommendations were in fact implemented. I don't recall all of them.

9-00:31:27

Lage:

There must be a record of what they are.

9-00:31:28

Kennedy:

There is a record of it. The report is on the web and so forth. But I think it was a very good meeting, and it's probably time to have another one. It's just been a long time ago, '97 is seven years. It's probably—and maybe as part of this new review they're going to do, they might again have that kind of a retreat. But it was mostly university people, with some industry people. It wasn't designed to be a university-industry kind of get-together; it was more designed to look inwardly at what our policies were, what our relationships were, from the university's perspective, but with some industrial people there to sort of understand their views of things. So it was a good meeting.

9-00:32:13

Lage:

It sounds like that must have been an area where the academic side of the president's office had as much interest as—

9-00:32:21

Kennedy:

Yes. Actually, Jud and I were—I mean, it was the president's meeting, but Jud and I were sort of the co-hosts, and he and I did the conference summary at the end. We both got up and gave a summary of different perspectives of the meeting.

9-00:32:37

Lage:

So would Jud have taken an interest also in how the technology transfer office was being handled, the changes—?

9-00:32:44

Kennedy: Oh, yes, and—

9-00:32:45

Lage: Even though it was under your purview?

9-00:32:48

Kennedy: Yes. And Jud, he had, his vice provost for research on that committee, on the technology transfer advisory committee, and after the committee that put the report together, it continued as a standing committee that met periodically throughout the year on technology transfer issues, with faculty reps, campus reps, Office of the President reps. We met three or four times a year.

9-00:33:17

Lage: Was the feeling very strong among the faculty, among portions of the faculty, that this whole business sort of distorted research on the campuses?

9-00:33:28

Kennedy: You know, I think—I'd have to go back to my campus days to answer that question, and I think that into the eighties and maybe even into the nineties, there were faculty, and probably still are a few, who feel that taking any money from industry is a mistake. I think the current generation of faculty members, however, in the main do not feel that way. Industrial support of research is, yes, quite important to this university and most universities. I think it's important to the country, because it's an economic driver. There are, I don't know, eighty or so companies that have spun out of UC San Diego, and many of them have been successful; many haven't. But it's a big part of the San Diego economy, and a lot of it came right from the San Diego campus. So if that relationship and that support wasn't there, that wouldn't have happened. I think it's important, and I don't think it's going to change in the future. I think it's going to get stronger.

But there are issues. There's conflict of interest, conflict of commitment, and faculty members who've got to decide at some point whether they want to be an entrepreneur or a faculty member. The university has given leave to tenured faculty to go off and be a CEO or whatever for a few years, and been very generous in leave policies and so forth. But at some point, the faculty member has got to decide: Am I going to be faculty or am I going to be in the private sector? And some have left. Irwin Jacobs, who started Qualcomm, was a faculty member here before he was a CEO. He made the decision to become an entrepreneur.

9-00:35:17

Lage: You wonder why more of them don't.

9-00:35:21

Kennedy: Well, there's no guarantee of success, number one. And I think secondly, most faculty members are here because they want to be here, because they like the freedom of being a faculty member, doing research, teaching, and the lifestyle of a faculty member, as opposed to business.

9-00:35:43

Lage: It's kind of interesting that—we're going to go back into the couple of questions you brought up when we turned it off last time. But I interviewed Ron Brady, and he was so

strong on this tech transfer and almost contemptuous of the faculty. If I'm remembering it correctly, and I hope I'm characterizing—

9-00:36:06

Kennedy:

No, I'm sure you're correct. I think Ron felt strongly that, one, because faculty had signed a patent agreement, that their intellectual property belonged to the University of California. I think secondly, I think he believed that the way to maximize the economic value of that intellectual property was to have a central, maybe an external, organization that specialized, if I can use that term, in turning that intellectual property into marketable goods that could generate wealth for the faculty member but also for the university. You know, in one sense, I don't disagree with that. The problem is that unless the faculty are willing to go along with that kind of a concept, it isn't going to work. Because the best idea in the world may have to be refined before it can go to market, and the person that's going to refine it is the faculty member that thought of it in the first place, in most cases. So you need the cooperation of the faculty, and if they think, if they believe that that's the wrong model, then it isn't going to happen.

9-00:37:33

Lage:

You seem more willing to work with the faculty, to work in that framework.

9-00:37:39

Kennedy:

Well, maybe it's my upbringing. I don't know. When we first started my oral history, [I told you that] my first university full-time job was working in a department, and working very closely with the faculty, and I guess I—I mean, the faculty are the heart of the university. It's not the managers of the university. The faculty are going to make a university a great institution or not. Management can help, and you need good management, but that management needs to be directed towards assisting the faculty, not throwing up roadblocks. Even if they are perceived roadblocks. The administration has got to make sure things are done in accordance with policy and that things are done in accordance with law and what have you, but I think supporting the faculty is what we're here for, not—. And I'm not saying Ron didn't support the faculty. I mean, it's just that his idea didn't resonate with the faculty. Maybe it wasn't marketed appropriately to faculty, I don't know. But it sure didn't resonate with the faculty. Nor the campuses, for that matter. I mean, we didn't like it in San Diego when they were talking about creating a separate corporation which our intellectual property was going to flow out there, and we were not going to have much to do with it. We thought we were in a better position to work with our faculty to develop that intellectual property.

9-00:39:16

Lage:

And also the San Diego area would benefit.

9-00:39:19

Kennedy:

Yes.

9-00:39:20

Lage:

Different concepts. Well, that kind of moves us back to something you brought up after we turned the tape off before lunch in the early Peltason years, and one was dealing with the Academic Council. Would this be a good time to sort of go into there?

9-00:39:36

Kennedy:

Sure, we can cycle back to that. I mean, my perception is that at the tail end of the Gardner administration, I think it would be fair to say that the faculty had lost some confidence in the Office of the President. I was at the San Diego campus at the time, and I think the faculty here, as well as the employees to a certain extent, felt that they had been had, when things began to come out that prior to that time had been kept secret or quiet or whatever. So the Academic Council, which represents the faculty, the systemwide faculty, is the major interface between the president's office and the faculty at large. So one of the things that I think Dr. Peltason did as the new president was to begin to try and work with the Academic Council in a very open fashion, and to try to get the council to understand what some of the issues were and to share with them some of the difficulties that we were facing.

9-00:40:58

Lage:

Budgetary primarily, or—?

9-00:40:59

Kennedy:

Well, budgetary—I mean, whatever the issues were. Some of it was continued shots at the president's office, as there were more audits and more newspaper stories about this and that. Again, some of it had a factual base and some of it had a perceptual base, and some of it was just pure bull crap, quite frankly. But to try and engage the faculty, yes, this was a new administration, that we were going to be open, and that we were going to seek the faculty's advice in a whole bunch of areas. The council met monthly, and we met with them. Whether the meeting was in Berkeley or someplace else, we met—

9-00:41:53

Lage:

Were you there for their questions, or—?

9-00:41:54

Kennedy:

We were there to make presentations, to answer their questions. Generally at the front end of the council meetings, as I recall, the president and whoever else from the administration that was invited would be there. We'd spend the first hour or two interacting with the faculty, and then we'd leave and they'd go about their normal business. And that continued on into the Atkinson presidency as well. So we met with them, and I think they probably met ten times a year, I can't remember exactly. But almost every month.

9-00:42:26

Lage:

And how was the feeling in those meetings?

9-00:42:28

Kennedy:

Oh, I think early on, there was probably suspicion, but I think as time went along and as I think we were very candid about some of the issues, I think there was a rapport. I used to meet with some of the chairs of the Academic Council, because they started residing in the president's office. That was part of the—

9-00:42:51

Lage:

Was that new?

9-00:42:51

Kennedy:

That was new as far as I know. We had an office for the chairman of the council and the vice chair, and so when somebody got into that rotation, they spent almost two years up

in Oakland in the president's office, as vice chair and then as chair. So there was a lot of interaction, and the chair of the council was invited to the president's council meetings, just like the vice presidents and others like the secretary of the regents and so forth.

9-00:43:25

Lage: Now, what was the president's council?

9-00:43:25

Kennedy: Oh, that was just the weekly meeting the president had, a bigger group than just the vice presidents, as I mentioned. Where they felt they were part of the team, part of the family, and they were. Again, faculty are very important. So I think over time, and not that we always agreed, and not that every meeting was patting each other on the back; there were issues, and there were controversies, and there were differences of opinion. But it was open and it was friendly. I think in the main, it worked reasonably well.

9-00:44:06

Lage: I know this got a lot of press attention—the salaries for senior level people and chancellors and medical, particularly hospital administrators where the salaries were quite high. Was that something the Academic Council objected to?

9-00:44:28

Kennedy: Yes, faculty salaries are always a big issue, and as you—

9-00:44:33

Lage: But in relation to these other—

9-00:44:34

Kennedy: Yes, I mean, there were some feelings that perhaps senior administrative salaries had gotten somewhat out of line. We did any number of surveys looking at comparison institutions and so forth, and in order to be competitive, we have to pay a salary that is going to at least be close to what those institutions we feel we're in competition with are paying for faculty as well as senior administrators. For a long time, there's been the comparison institutions that we use for salary comparisons, and again, in the early nineties when we had the budget hits and salaries were not going up, we really did slip behind in faculty salaries. We put high priority on faculty salaries in those years to get them back up to competitive levels, at a time when administrative salaries were frozen. I mean, I went up at a much lower salary than my predecessor, Mr. Brady, and I think the first two or three years I was up there, I got no salary raise, or if I did, it was 1 percent or half a percent or something. So we put the emphasis on increasing faculty salaries.

But at some point, if you're going to be competitive and if you're going to retain good administrators—chancellors, presidents, vice presidents—you've got to be somewhat competitive.

9-00:46:03

Lage: You don't have to argue with me. [laughter] Is this the kind of thing you'd present to the Academic Council?

9-00:46:07

Kennedy:

Oh, yes. Well, Larry Hershman, who was and still is the budget person, Larry's office was responsible for doing those faculty salary comparisons, and sure, we had lots of discussions about that. We did the survey, my office, the human resources folks, we did the surveys on chancellors and administrative salaries. We used outside consultants to do that, so that they would be viewed as honest brokers in terms of getting the data and so forth. But faculty salaries are always going to be an issue.

9-00:46:41

Lage:

Yes. And a sore point.

9-00:46:42

Kennedy:

And a sore point.

9-00:46:43

Lage:

And I would think the comparisons that they read in the paper, or they're a matter of record, would—

9-00:46:48

Kennedy:

Well, I mean, we talked earlier about the issue of certain benefits, perquisites, that were given to chancellors during the Gardner administration which were not widely known by folks, and I think when folks found that out, the faculty, again I think there was this feeling that the university had taken care of the senior administrators and not taken care of the faculty. But that all changed, and the faculty and staff and senior administrators now, except with a few exceptions, basically have the same benefits. Same retirement, same health benefits, there's no extra—chancellors do get a residence, as does the president, but my predecessor had a housing allowance. I didn't get a housing allowance. And had other deferred compensation that's no longer available.

Now, on the other hand, I must say, if you look at some of the salaries of chancellors and so forth right now and some of the disadvantages they have because of IRS regulations in the retirement scheme, there are limits on how much you can take away from the retirement system, that have nothing to do with your salary but have to do with Internal Revenue Service and legal limits. So chancellors—

9-00:48:14

Lage:

You mean how high you can be—

9-00:48:16

Kennedy:

How much you can use to calculate your eligible salary for retirement benefits. There are limits on that. If you make more money than that, that money stays on the table in terms of calculating benefits. So chancellors are not necessarily—not all the chancellors are going to get the full retirement that they would be entitled to under the retirement system, because the IRS regulations say you can only use a certain level of salary to calculate your benefits.

9-00:48:47

Lage:

Oh, so there's a cutoff.

9-00:48:49

Kennedy:

There's a cutoff. And so what should be done about that. If you're a president of a university back East and you're asked to come and be a chancellor at UC, and they're

going to give you a competitive salary, but then they tell you, yes, the salary is competitive, but your retirement is going to be based on a lower salary.

9-00:49:10

Lage: Now, why would it be different?

9-00:49:11

Kennedy: Because another university may have deferred compensation or whatever to make up for that.

9-00:49:15

Lage: Oh, I see, that's the way to get around it, deferred compensation.

9-00:49:18

Kennedy: Or some other device for getting around it. We don't, because that was all taken away in the early nineties.

9-00:49:27

Lage: Okay. [laughter] When you deal with the Academic Council, you're dealing with faculty who have a sense of the university as a whole, I think. I would guess that a lot of faculty on the campuses wonder, Why do we have a president's office? What do they do for us? Did you ever get that sense?

9-00:49:51

Kennedy: Oh, sure.

9-00:49:54

Lage: Maybe some on the Academic Council do too, I don't know. I just assume they have a bigger—

9-00:49:59

Kennedy: I think that the more frequent question is, Why is the president's office so big?

9-00:50:04

Lage: Oh, not Why is there one?

9-00:50:05

Kennedy: Not Why is there one. I mean, it depends on how you count. What's included in the president's office, we've got a huge agricultural program with ag extension, so with all those people report mainly through the vice president for agriculture. Are they part of the president's office?

9-00:50:28

Lage: So they're all considered systemwide.

9-00:50:28

Kennedy: President's office runs certain research programs out of the systemwide.

9-00:50:35

Lage: Like?

9-00:50:36

Kennedy:

Well, some of the programs that were funded with state dollars, that are granting programs, like some of the tobacco money and so forth. So you've got to put a staff together to administer those and to deal with proposals. So are they part of the president's office? I guess. But you could put those aside and say, that's more of an academic effort than an administrative effort. In the—I just lost it, I'll come back to that thought in a second.

But it's a fair question as to why is there a president's office, and why is it as big as it is, and I think—oh, I was going to say, look at the retirement system, which we have now over 30,000 annuitants, and so we run a very large program, we have to payroll retirement checks every month, we do health benefits for annuitants. There are lots of activities that surround having that many annuitants, and that's a president's office responsibility, and there are—

9-00:51:50

Lage:

And it would be on the campus if it—

9-00:51:52

Kennedy:

If it wasn't, it would be on the campus. First of all, I think the University of California system is stronger because it is a system and because it does have a president. It's not just an affiliation of ten universities. And the president's office's major responsibilities that I think is carried out very well is interface with Sacramento in trying to maximize the amount of support we get from the State of California, which by most standards is pretty good; even with the current problems we're having, it's still pretty good. Not as good as we'd like, but it's good. So that interface with Sacramento, not just in terms of budgetary support but in terms of laws that are being considered that will have an impact on the university, and dealing with them as a system as opposed to individual campuses I think is a much better way to go. I think having certain things like retirement, health benefits, and the like on a systemwide basis is certainly a lot better than trying to do it individually. I think we're a lot stronger and can do a better job and provide better benefits than if each campus were going off on its own.

So I think there are some functions, and I think if you're going to have a system, you've got to have some common policies, and you've got to have those policies enforced to an extent so that there is a common base. So I think that the president's office plays a vital role. Is it bureaucratic? Sure it's bureaucratic. It comes with the territory. Could it be more efficient? Of course it could be more efficient.

9-00:53:46

Lage:

We're going to get to that.

9-00:53:49

Kennedy:

You know, there are always ways in which things can be made better, and we should always strive to do that. But the president's office interfaces with a lot of different constituencies, and it has to be responsible for the good of the whole university. And to me, the proof in the pudding is ask anybody, "What's the best public higher education system in the world?" and I don't think anybody would say that it's something other than the University of California. I mean, we are the envy of other states and other countries, and so it seems to me that—

9-00:54:29

Lage:

And that's what we're trying to figure out here today, is how we got that way. Or kept that way during your—

9-00:54:33

Kennedy:

Well, I mean, clearly, again, I go back to the quality of the faculty, but I think providing the environment and the resources in which the faculty can do their thing is what we strive to do. It's not always peace and harmony, but historically, it's worked. Since at least the fifties, when they started the system in the current model, it's worked pretty damn well.

9-00:55:04

Lage:

Well, it is really I think what this interview is about, in a sense. That's one of the questions people ask, is why does it work, and we'll get to that. We're getting to it.

I'm just going to go to one other thing you mentioned that we missed, and it had to do with the treasurer's office.

9-00:55:22

Kennedy:

Yes. We talked earlier about the transition team and the reorganization of the president's office when Peltason became president. One of the recommendations or a couple recommendations in the transition team was a reassignment of certain responsibilities from the treasurer's office to the administration. Now, in 1993, the treasurer reported directly to the board. There was no reporting relationship—

9-00:55:54

Lage:

To the board of regents?

9-00:55:56

Kennedy:

To the board of regents.

9-00:55:57

Lage:

In '93?

9-00:55:58

Kennedy:

Well, it's changed since then, but in '93 when Jack became president, the treasurer reported directly to the regents. There was no reporting relationship to the president, nor anyone in the president's office.

The transition team recommended two changes. One was that the real estate transactions—leasing, buying, selling of property, non-investment property—should be reassigned to the president's office, and that borrowing should be reassigned to the president's office, on the theory that these are business transactions, not treasurer functions. One of those recommendations was implemented, and that was the real estate transactions. So when I became vice president or shortly thereafter, three or four months after I became vice president, I had to put together an office to handle leasing and buying and selling of non-investment property.

9-00:57:01

Lage:

Did you bring people over from the treasurer's office?

9-00:57:02

Kennedy:

Well, yes, I did, and actually, I had made an offer to the individual who was responsible for—it was Gary DeWeese, who may still be there, I don't know—but he declined and decided to stay in the treasurer's office and deal with investment properties, and work on potential investment in real estate. And I don't know even if it's changed today, but in those days, the treasurer did not invest in real estate. That was a policy of the regents. But they did have certain real estate that came in through bequests and so on. They owned a shopping center here and there, and they had to manage it. But they didn't actually go out and actively buy property for investments in those days.

But in any event, the real estate came over, and so I went to someone else in the treasurer's office, Gordon Schanck, and he became the director of real estate. I actually had Gordon assigned to my facilities management office, which is run by Mike Bocchicchio, who is an assistant vice president for facilities. That was a big step, I mean, that was a big change. And again, this is another area where relationships with the campuses—[laughs] it's kind of like tech transfer—campuses say, "Hey, we know how to lease and buy and sell property," but in effect, many of the campuses didn't have the expertise to do that.

9-00:58:38

Lage:

So this is if they want to go off campus and rent a building or—

9-00:58:40

Kennedy:

Right, or if they had space they were not using and wanted to lease it, or land they wanted to lease, or had a building they wanted to buy. Or like I bought two buildings here in San Diego on the periphery of the campus for administrative space, because there's no administrative building here.

9-00:58:58

Lage:

And did you go through the regents?

9-00:58:59

Kennedy:

Went through the treasurer's office when I did that. That was in maybe the late eighties. In fact, Gordon Schanck, the guy I later hired, was the person assigned to work with me in the purchase of these buildings.

And again, it's a question of if the campus has the expertise, you can work with the campus to delegate certain authorities to them. If they don't, then you have to have the capability in the president's office, and working out that arrangement and evaluating at the campus level whether the expertise was there or not and the appropriate resources were in place—again, to keep you from getting into difficulty.

9-00:59:39

Lage:

Did you get into any difficulties on these issues?

9-00:59:42

Kennedy:

Oh, sure.

9-00:59:39

Lage:

[laughing] You don't mention the individual—

9-00:59:46

Kennedy:

Well, I mean, [laughs] it wasn't very long ago, about a year ago, I had to give a deposition in a real estate case from one of our campuses, which I won't name, but they did a really dumb thing in terms of making a certain obligation or commitment to someone on a lease and then tried to get out from under it and they got sued. I was the official signatory on the lease, because it was above a certain threshold, and even though I didn't—can't say I ever read the lease—it was reviewed in our real estate office, but there were some subtleties in there that weren't picked up, and then there were certain verbal promises that were made that were used in the suit. And that was, I think—it should have not happened. So there are these issues.

9-01:00:43

Lage:

But it's the kind of thing that might come up.

9-01:00:45

Kennedy:

Yes. And I think one year in San Diego before I left, in one of the buildings we bought, there was a tenant, and we were anxious to get tenants out of the building, because we wanted to take the space over, and we interpreted—and this included general counsel—interpreted a lease that had been written by the former owner of the building that we thought gave us the flexibility at the end of the term to not renew the lease, and we didn't renew the lease, and the individual sued us and went to court, and we lost. [laughter]

9-01:01:23

Lage:

It's hard being a landlord. Now, you say the regents weren't willing to give over the borrowing aspect?

9-01:01:33

Kennedy:

Well, I can't really say it was the regents. I think the decision by the president, Peltason at that time, was that the leasing real estate, buying and selling, really made a lot of sense, and that was kind of not very controversial or contentious with the treasurer. The issue of borrowing was, and I think Dr. Peltason, and you might have to ask him the question, but I suspect he felt that it wasn't worth having the fight over it. There were too many other things—

9-01:02:04

Lage:

To fight over.

9-01:02:04

Kennedy:

—going on. Lord knows, I had enough responsibility. I didn't need anything. Although it makes sense to me that the business and finance arm of the university should be in the borrowing of—

9-01:02:20

Lage:

This would be to borrow to build a building?

9-01:02:21

Kennedy:

Short-term kinds of things. Not bond, but short-term borrowing.

9-01:02:29

Lage:

So did the treasurer remain under the regents?

- 9-01:02:31  
Kennedy: Until right about the time I left, and in fact, as I was walking out the door, the treasurer—or actually we had a new treasurer, first an interim and then a permanent treasurer—has a reporting relationship to my successor. He still has a direct reporting relationship to the regents in terms of investment policies and the like, but reports managerially to my successor. Which to me makes a lot of sense.
- 9-01:03:01  
Lage: Yes. Is that similar then to the general counsel?
- 9-01:03:03  
Kennedy: Well, the difference is that the general counsel reports to the president, as a vice president. The treasurer reports to a senior vice president, not directly to the president. But I think it makes sense.
- 9-01:03:16  
Lage: Okay, well, anything else from the transition team that we missed?
- 9-01:03:21  
Kennedy: Oh, let's see. I don't think so. I was going to go back and reread the summary of the transition, but I couldn't find my copy of the report. I'm going to look for it, but I wasn't able to locate it yesterday.
- 9-01:03:39  
Lage: Okay, because that seems like a pretty important—
- 9-01:03:42  
Kennedy: I think it was. It was a very thoughtful piece that Chuck put together.
- 9-01:03:47  
Lage: And he was the moving party with it?
- 9-01:03:49  
Kennedy: He was the chairman of the committee and I think was the major mover and shaker of that effort.
- 9-01:03:55  
Lage: It was an interesting thing, that Jack Peltason gave him that job, when he had wanted to be president.
- 9-01:04:01  
Kennedy: Yes, right. Well, and I think—I mean, Chuck did it very well, and I think took it very seriously. And I think embodied many of the things he probably would have implemented if he were made president, so in a sense, it was a way to advance his program even though he was disappointed about not being selected.
- 9-01:04:23  
Lage: Okay. Shall we move to sort of your middle years, where you—or have we already moved there?
- 9-01:04:31  
Kennedy: Well, I think we're sort of—

9-01:04:33

Lage: We're getting in there.

9-01:04:34

Kennedy: We're getting there.

9-01:04:34

Lage: But the business aspect of the university, the finance, the human resources, those areas. Where should we start?

9-01:04:46

Kennedy: Well, I think it really started when I was thinking about the job and whether I wanted to be a candidate, and as a vice chancellor and someone that had worked within the system for twenty years, and someone that spent a fair amount of time interacting with the president's office and a lot with the business and finance operation, I did have some ideas about the way in which I felt the office should be run, and the way it ought to be organized. One of the things I felt very strongly about was the introduction of private practice, or private business practices, into the university. I mean, there are many excellent, loyal, long-term university people who worked and continue to work in the business and finance arena in the president's office who had no other experience than the University of California. They came here after graduating from college or whatever—

9-01:05:58

Lage: Maybe an English major.

9-01:05:59

Kennedy: —and maybe an English major, maybe an MBA, but only had the experience of the university, and so the culture of the university in many respects was the same culture that was in place back in the sixties when the model of the president's office and campuses sort of came to fruition. And it just seemed to me that it made sense to try and bring some different practices, some different experiences, some different culture to the university, particularly thinking about the fact that we were getting into the digital electronic age and not doing things the way we had always done them.

9-01:06:41

Lage: Were they things that you'd instituted here and then took up there, or—?

9-01:06:45

Kennedy: Well, I mean, we did some things here that I think were creative and innovative in terms of different models. We talked a couple of sessions ago about doing some creative financing for research facilities and the like. But the day-to-day business practices, the accounting of the systems, the HR practices, the way in which we managed benefits and so forth—

9-01:07:11

Lage: Purchasing.

9-01:07:11

Kennedy: —just seemed—purchasing—just seemed to me begged to be streamlined and to be made more modern and efficient and more businesslike, if you like.

9-01:07:23

Lage:

I don't mean to interrupt you, because I know you know where you're going—but you'd only worked in universities, too.

9-01:07:27

Kennedy:

That's true.

9-01:07:28

Lage:

So where did you get your—

9-01:07:29

Kennedy:

Well, my idea was not—I mean, I didn't have all the answers, but I felt that one way to do that was to bring some people here who had other experiences. One of my few successes here at San Diego was to recruit a woman who had both university and private sector experience in the real estate arena. In fact, she's still here, Nancy Kossan. I brought her here back in the eighties . At the time, she was vice president of the Harvard Real Estate Corporation, which was an offshoot from Harvard University but ran all of their real estate operations, which are huge, maybe billions of dollars. Nancy came here as our director of real estate with a portfolio of really good, solid private sector and not-for-profit experience, and I had her take responsibility for managing our real estate portfolio, which by Harvard standards was kind of modest. We had some land that we were leasing to the private sector, and we were leasing facilities around because we didn't have enough research facilities here. We have some property on the east campus that we wanted to develop as a science research park, and so having somebody that had that kind of experience, non-university and sort of broad real estate background and real estate investment background, was just invaluable.

So my vision was not fire everybody and bring in a whole bunch of new people, but as opportunities arose, to bring in some people who had that kind of experience. Not that I had any ideas that overnight we would change the University of California, but I think over time, you can begin to develop some of those.

9-01:09:27

Lage:

That was your long-range plan.

9-01:09:28

Kennedy:

So that was one thing. And then I also had the idea of bringing someone into my office, who I will for lack of a better term call a change agent. Someone who devoted most of their waking hours to thinking about how the university could improve its business practices. Someone who had some experience, someone who was creative and innovative, someone who knew his or her way around the business community, and so forth. That, because I knew I was going to be busy, I didn't know how busy, but I knew I was going to be busy, but having somebody that kind of focused on that, quality improvement and business practice improvement, I thought would be really quite valuable.

9-01:10:15

Lage:

So this was an idea you brought with you.

9-01:10:17

Kennedy:

It's an idea I brought with me.

9-01:10:18

Lage: And did you find that person?

9-01:10:19

Kennedy: Yes, I did.

9-01:10:19

Lage: And who—?

9-01:10:22

Kennedy: Well, the person that I hired actually worked in the president's office. His name was Richard Katz. He worked in our information systems division, but Richard was a—I don't know, I guess a mid-thirties or maybe a little beyond that, but let's say mid-thirties, very smart, very aggressive individual who had spent a lot of his time studying business practices and management techniques. So he was just a natural because he knew the university and he also had ideas about how to begin to improve certain things.

9-01:11:07

Lage: And focusing on information systems?

9-01:11:09

Kennedy: So I brought him into my office, and he reported directly to me as a staff person. He was my—I can't remember—our director of business development or something. But the idea was that Richard would work with the president's office, work with the campuses, to try and improve the business practice, streamline things. I think we were quite successful in doing that. One of the things that Richard did was to get a contract with IBM, actually it was a gift from IBM rather than a contract. It had a certain dollar value, but that dollar value was translated into providing us with assistance, technical assistance, and in particular a woman by the name of Kristine Hafner, who was a full-time IBM employee. She came and we put together the Partnership for Performance program, which was gifted by IBM to the university by providing us with a certain dollar value of talent to work with us, to work on improving business practices. I think in the back of IBM's mind was that if this was successful, then they could market some of their consulting and other skills to universities around the country.

So Kris Hafner was spending time at the university, and they were helping us fund some of the ideas that we had and provide some of the talent that we needed, consulting talent.

9-01:12:42

Lage: So this was a freebie from IBM.

9-01:12:45

Kennedy: It was a freebie. And interestingly enough, I'm going to jump ahead a few years, later on Richard decided to leave, and he went to work for a national higher ed organization as their vice president, and when I thought about replacing Richard, I hired Kristine Hafner from IBM. [laughter] She came to work and worked for me for a couple of years, and she was from Wisconsin, so it was kind of an imposition for her to be living in northern California. But she worked for me for a couple of years and then decided that she was going to go back to Wisconsin, so she did some things on a part-time basis. This was around the time I was thinking about retiring. She did some consulting here in

San Diego, and then when I retired, I talked to my successor, Joe Mullinix, about bringing in someone to carry on this work, this Partnership for Performance and its kind of successor, which was the—I'm trying to remember the title we used. But another effort to improve business practices, mainly through using electronic business practices.

But in any event, he got Kris to agree to come back, so she went back to work for the president's office, and then just to finish the story, when the director of our IT left, he made Kris acting, and now she's the permanent director of the information technology in the president's office.

9-01:14:37

Lage:

We're just about out of time, hold on.

[minidisc 10]

10-00:00:08

Lage:

Okay, we're back on, tape 10, and we sort of got an overview of what you did with business practices, but—

10-00:00:18

Kennedy:

Well, we were talking about Partnerships for Performance, but I also think the real critical thing was the introduction of some new talent in the business and finance arena. When I went to the president's office in '93, we were right in the middle of the third early retirement window, and so there were some opportunities that presented themselves in that the individual who was the controller, who had been there for a very long time, decided to take early retirement. The university auditor decided to take early retirement. So I had two very critical appointments to make, and put acting people in those capacities for a while.

And actually, had trouble finding good people, for a number of reasons. One is because of all the controversy that was going on, people were reluctant, wondering how long Peltason was going to be president and Kennedy was going to be vice president, whether this was a short-term possibility. The budget was in the tank, and we were having early retirements in order to save operating dollars, and so people were concerned about coming into an institution that looked like it was maybe going to make a big financial slide.

10-00:01:55

Lage:

And then also, there was so much controversy. I would think a controller and an auditor would wonder how much attention—

10-00:02:00

Kennedy:

Yes, absolutely. Salaries had been reduced. I think the first year I was there, I think we took a 5 percent salary cut. So we weren't really competitive with other institutions. So it was very, it was kind of scary in a way, because I was the new vice president, I was having difficulty filling positions, I had people in acting positions who didn't have the right training and backgrounds to perform the jobs, at least not up to my expectations.

10-00:02:40

Lage:

And it seemed like you were looking for really good people.

10-00:02:42

Kennedy:

I was looking for really good people who had a different experience, who had been in business, had a private sector position, to come to the university where potentially the salaries were maybe not going to be as good—so it took quite a bit of doing.

10-00:03:01

Lage:

How did you go about it?

10-00:03:02

Kennedy:

I had a number of false starts in trying to recruit, but ultimately, I made two appointments fairly close to each other. One was the university auditor, and I think we may have talked about that in a previous session, but Pat Reed, and he's still the university auditor. Pat had worked for Peat Marwick, had largely been in the banking end of auditing. As an auditor for a private concern had done some auditing for some community colleges, but really had no university experience. But had had twenty-some years with Peat Marwick and had good credentials, and I got good references on Pat. The audit program really was in somewhat of a sorry state in those days.

10-00:04:01

Lage:

Just from being back in the sixties, or—?

10-00:04:05

Kennedy:

No, it was more, I think there were two issues. One is there was, and we may have covered this in a previous tape, but there was a philosophical difference between my view of internal audit from a systemwide perspective and the internal auditor view of internal audit from a systemwide perspective. His view was that his job was to develop policies, and that the campuses were pretty much independent in terms of performing internal audit work. My view was that the internal auditor had to set the tone, the quality base, and be prepared to work with the campuses to make sure that campus internal audit programs were a high standard, and that those standards had to be raised, and—

10-00:05:02

Lage:

So you wanted more review of the campuses than had been the case.

10-00:05:05

Kennedy:

I wanted someone who was going to be very proactive, and I wanted the campuses, all of the campuses, to have standards and metrics, by which we could measure their performance, and that performance needed to be at a certain level in terms of the quality of the people and the experiences of those people, the numbers of audits that they did, the rotation of what things were audited and weren't audited; I mean, really good, solid auditing.

10-00:05:34

Lage:

So you would set up—

10-00:05:33

Kennedy:

We would set up those guidelines and criteria, and then the campuses would have to meet it.

10-00:05:38

Lage:

And then would they report to you, or would your auditor go out and review—

10-00:05:42  
Kennedy:

Well, my idea was—and there was a reporting relationship, and it was sort of a loose confederation, or federation. My idea was that there ought to be a dual or joint reporting relationship, that I recognized, because of my campus experience, and audit did report to me in San Diego, that audit was an important management tool on the campus, and that if it didn't have a relationship with campus management, if it was viewed as external, that potentially that could be confrontational, and the program may not be successful. But I also knew that campus programs were kind of hit or miss. Again, it's like any other administrative area: if the campus thinks it's important and the campus puts the resources into it and hires the right people, it can be outstanding. But if the campus doesn't view it as important and isn't willing to put the resources, then it's a weakness.

So again, you had a situation where if you looked across the university, we had some good audit programs, and we had some really bad audit programs. And we were vulnerable as a result. That was proven during the early nineties when all these bad things were—I mean, not just out of the president's office, but some of the campuses. So—

10-00:07:10  
Lage:

You mean like embezzlements and—

10-00:07:10  
Kennedy:

Yes. And so the idea was to develop this program that would lay out for the campuses what the expectations of the system were, and then work with them in a collegial fashion to strengthen the staffs, to improve their programs and get the right resources and so forth. And it was even more controversial, because of the Regents and I think we did talk about this a while back—

10-00:07:38  
Lage:

No, we did talk about that.

10-00:07:40  
Kennedy:

—who felt that it should be a very strong central program and everything should be run out of the president's office. I just didn't feel that was going to work. So there was this compromise, if you recall, this dual reporting, in terms of the university auditor reporting both to me and the regents but also at the campus level, they would have a reporting relationship through the chancellor and also to the university auditor. I think that program has worked. It's been externally reviewed a couple of times and got high marks, although again, new regents, have different perspectives. People are beginning again to talk about whether that's the right model or not. So it's kind of cyclical.

10-00:08:22  
Lage:

[laughs] How did Pat Reed fit into the university? You've talked a lot about university culture, and here he was without it, really.

10-00:08:32  
Kennedy:

I think actually Pat fitted in very well. It took a while for him to sort of get the gist of it. I tried very hard to work with Pat in a mentoring sense to give him the kind of support and to work with him to understand the way in which the university operated. And I think Pat had some traumatic years, and he probably still does. But I think he brought a

professionalism to the office that just simply wasn't there before, in all due respect to the previous individual. It was just a different experience and a different view of the way a program ought to be carried out. So he worked very hard to develop those standards, those metrics, and then worked with the campuses to make sure they met those quality criteria.

10-00:09:29

Lage: And were those campuses that you said were really quite deficient, which you didn't name. Did you have difficulty with them?

10-00:09:40

Kennedy: Well, yes, we did, because one, again, goes back to the thing we've talked about several times, the tension between the president's office and the campuses about who's going to be responsible for what. I mean, there was some resistance to the president's office imposing standards in this arena. There was the issue of resources at a time when things were very tight, and we were making demands about hiring up the appropriate number of staff and the like. So there were a lot of difficulties.

10-00:10:11

Lage: Would this get discussed at the Council of Chancellors, or was it done in—

10-00:10:15

Kennedy: It was discussed. It wasn't a topic that came up every session, but periodically, I would have a discussion with the chancellors, collectively or individually, about their audit programs. I mean, the other thing that we put in place was audit committees at each campus, which were pretty much nonexistent prior to Pat's arrival. So each campus has an audit committee. There's a systemwide committee, but each campus has a committee which has representation from the various elements of the campus to work with the campus auditor in terms of developing audit programs and providing a forum in which issues can be discussed.

One of my big concerns for the university, and we may have talked about this before, is compliance, because we're such a big recipient of federal dollars, and every time we accept federal money—contracts, grants, whatever—we agree to a large variety of compliance requirements. ADA, human subjects, time and effort reporting—it just goes on—animal research—it just goes on and on.

10-00:11:37

Lage: And a lot of that is through the Sponsored Projects Offices.

10-00:11:39

Kennedy: Well, but the responsibility for making sure we're in compliance with all of those really is at the campus level, because that's where the work is carried out. Some of the campuses are in pretty good shape, and some are not in such good shape. It's a vulnerability for the University of California. It could come back to bite you real bad if you had a big federal audit and you were found to be in noncompliance in a whole bunch of areas.

10-00:12:06

Lage: Well, hadn't that happened to Stanford just about that time?

- 10-00:12:08  
Kennedy: Well, that was the indirect cost issue at Stanford. But I can tell you, in recent times, I think it was the University of Michigan recently paid something like \$110 million to the government because they were not in compliance with certain federal requirements.
- 10-00:12:25  
Lage: Like the kind of thing you mentioned?
- 10-00:12:27  
Kennedy: Oh, human subjects, yes.
- 10-00:12:27  
Lage: So they didn't have the paperwork.
- 10-00:12:28  
Kennedy: That's a big one.
- 10-00:12:31  
Lage: In place for—
- 10-00:12:31  
Kennedy: Well, or they weren't—they may have had the procedures in place but weren't following them, or there were violations of—
- 10-00:12:39  
Lage: So they had to return grant money?
- 10-00:12:40  
Kennedy: They returned grant money or get fined or whatever.
- So Pat was recruited, and then the other person that I recruited as associate vice president for business was Anne Broome, and then later, as I mentioned earlier, Anne and Larry Hershman both became vice presidents.
- 10-00:13:02  
Lage: And what was Anne Broome's background?
- 10-00:13:05  
Kennedy: Anne's background actually was financial, but mostly in retail. She had been vice president of Lucky Stores, which is a supermarket chain, and a clothing chain the name of which I can't remember at the moment. She had very strong financial background in the private sector. Way deep in her background she had worked for one of the big audit firms, but that went way back. Interestingly, on my first round of interviews, Anne was one of the individuals that I interviewed, and I did not put her high on the list. Then when I went back to square one when I couldn't recruit the first or second choice that I had, I went back and interviewed Anne a second time, and went to the trouble of checking out her references and talking to people that she had worked for directly, and got very good references for her, and so I decided—and I also, both Anne and Pat, I also asked a couple of regents to interview them, again these were areas—
- 10-00:14:25  
Lage: Which wasn't required?

10-00:14:27

Kennedy:

No, it wasn't required, but these were areas where the regents were critical of the president's office, particularly in the audit function area, but also a feeling on their part that we weren't as good in some of the financial arenas as we needed. And again, I'm not an accountant, that's not my long suit, but I knew I had to hire someone who was a very strong accounting background.

So Anne came in, and again, her experience was the private sector, and so she had a very frustrating first year or two.

10-00:15:09

Lage:

Now, what would she be addressing? My background is so limited, I'm not even sure what a financial person does.

10-00:15:14

Kennedy:

Well, accounting practices, fiscal—

10-00:15:19

Lage:

Is it again a control kind of system, financial controls?

10-00:15:21

Kennedy:

Well, part of it is financial controls, part of it is just following correct accounting procedures, the fiscal closing, which in the university is always sort of a big event, it's very difficult. So it was just really getting a good grip on the financial systems and trying to have some commonality and make sure the figures that were rolling up from the campuses were accurate, and fit into a system where you could make some sense out of it. I mean, even something as mundane as the university's annual financial report was kind of an embarrassment. I mean, it was not very well done, and so we worked very hard to improve the financial report. In a sense, that's a financial report, but it's also something that can be used for publicity. You get those reports out, and you use it as a mechanism for touting some of the good things about the university.

So it was just the whole—and again—

10-00:16:31

Lage:

So she was frustrated. Tell me why she was frustrated.

10-00:16:34

Kennedy:

Well, because she came into a situation where she probably didn't have the talent that she really needed, and so she had to go out and begin making some personnel changes and recruiting some good people in, and she did that. And then just methodically going through your set of responsibilities and trying to figure out what your priorities are and how you're going to attack them. Trying to develop relationships with the campuses. Again, campuses wanted to be as independent as possible, and the financial person in the president's office trying to get some consistency and common practices out there in various areas.

10-00:17:17

Lage:

Did she help introduce any electronic systems? I don't know how you related to the Berkeley campus in this respect, but my impression was it was maybe a hundred years behind the times. [laughs]

10-00:17:32

Kennedy: That's probably accurate. [laughs]

10-00:17:33

Lage: Until a few years ago.

10-00:17:34

Kennedy: Yes, I mean, I think again, working with Richard and with Kris Hafner and some of the IBM consultants who were advising us on things that were feasible and so forth. I mean, one of the ideas that I naively had—and I will say naively—was that maybe we could have common financial systems across the university. Now, the history of the University of California in terms of their financial systems are that at one time, there were two data processing centers, one in the north and one in the south. The idea was that everything would go through those. And it didn't work. Prior to that, I assume everything was basically decentralized. At one time, it was all centralized, and then it was decentralized, and there were these north and south data processing centers, which cost a lot of money and didn't work. During the Saxon administration, all of that was decentralized. Those centers were closed, and certain resources were allocated down to the campus to handle their own accounting and financial systems. So each campus basically was doing its own thing. There was no commonality.

And having come from a campus that was reasonably well managed, and I had had responsibility for putting in a new information system during my tenure as vice chancellor, and we had done that successfully, I naively thought, Well, we should be able to do this across all the nine campuses. That just wasn't feasible for a whole bunch of reasons, and—

10-00:19:14

Lage: Well, talk about why it wasn't.

10-00:19:16

Kennedy: I mean, one is just the pure resistance and inertia. Each campus was in a different stage in terms of developing new systems or improving existing systems, spending their own resources to do this, and nobody wanted to just stop and start all over again and implement some system that Vice President Kennedy wanted. That was one. Second was the whole issue of resources. If you looked around the country at some of the money that was being spent to put new systems in place, I mean, hundreds of millions of dollars. Where were we going to get the money to do that? And it's high risk, because if you try it and you fail, I mean, look at CSU recently—spent \$600 million, and got thrashed by the state. Look at the Department of Motor Vehicles in California, tried it about a decade ago and spent \$800 or \$900 million and abandoned the system. And when I talked to people around the country, even at single campus-universities where they were trying to implement new systems, there were just horror stories out there.

10-00:20:23

Lage: So it's not an easy task.

10-00:20:24

Kennedy: It's not an easy task and it's very high-risk. And this was an area where we used to catch a lot of flak from regents who would say, "Well, why can't we just—why aren't all the accounting systems the same? What's the matter with you, Kennedy? You ought to—"

Even Dick Atkinson, when he became president, was beating on me, because somebody from one of the software companies was berating him about the university not having a common accounting system. And I told Dick, "Find me \$250, \$300 million, and I'll give it a whirl." That was the end of—

10-00:20:55

Lage: And it may not work.

10-00:20:54

Kennedy: That was the end of the discussion.

And so what we decided to do was to not try and impose a common system, but to again try to put out some metrics and some standards as to what campus systems needed to provide to the president's office, to the system, in terms of roll-up information and the like. And that's probably still work in progress, because it's something which never ends. You've just got to keep chipping away at it as new systems—I mean, we did have a somewhat common payroll system, and in fact, just for example, the Office of the President payroll used to be run in Berkeley, now it's run in Los Angeles. In fact, UCLA does all of the accounting work for the president's office. We're too small to have our own accounts payable—

10-00:21:48

Lage: And they do a better job than Berkeley did.

10-00:21:50

Kennedy: You said that. [laughter]

10-00:21:51

Lage: Well, I know that this is a perception.

10-00:21:53

Kennedy: It's true.

10-00:21:53

Lage: And I think you should talk about it a little bit.

10-00:21:56

Kennedy: We gave up on Berkeley. Or I should say Anne gave up on Berkeley.

10-00:21:58

Lage: As somebody who's worked there and experienced it—[laughs]

10-00:22:03

Kennedy: Well, I mean, it just—

10-00:22:05

Lage: We all know that it's not very good.

10-00:22:06

Kennedy: It was just impossible. I mean, it was taking months to get travel reimbursement, it just—

10-00:22:15

Lage: And pay, contractors' pay—

10-00:22:16

Kennedy: Accounts payable, and so we in a sense bid our business out, and UCLA agreed to do it for I think less money, and I think it's worked reasonably well. Not that it's perfect, it obviously isn't, but it works I think reasonably well.

10-00:22:31

Lage: For instance, I know Berkeley did institute a new system recently. Did you work with them to push them to do that, or what was your role?

10-00:22:40

Kennedy: Well, we were—[sighs] Berkeley is a real anomaly when it comes to getting them to do anything, because the attitude is that they're the mother ship, and so—[laughs] they don't respond very well to the president's office. But we tried very hard, both with Dr. Tien and with Berdahl, to try and get them to be in a more businesslike basis, and to spend the resources that were necessary to—. But again, the campuses want to do their own thing, and they wanted to do their own system, and I assume that it's working, but the implementation was not smooth. I know they spent more money than they ever intended to spend.

One of the—[laughs] this reminds me of something off the topic at the moment, but of a story of one of my innovations in the HR area was to have some money set aside for exemplary service, on the theory that everybody just shouldn't get the same 2 percent or 3 percent or whatever, there ought to be a pool of money aside for merit-based raises. So the first year that we got a salary increase money from the state, I set, I can't remember, it was a very modest amount, less than 1 percent, maybe it was .8 percent or .6 percent—aside, and I wouldn't allocate the money to the campuses except for merit-based increases. It was very controversial. I mean, the campuses just went bonkers. Everybody went bonkers.

10-00:24:35

Lage: Did they oppose your imposing this, or did they oppose the merit-based reward system?

10-00:24:42

Kennedy: I think a little bit of both. Some didn't like the idea of merit-based pay, and they'd never be able to implement it, and so forth, and others resented the fact that we were taking money that should have gone into cost of living kinds of normal raises. But I was adamant that we were going to try it, because again, this is a tool that's used in the private sector quite successfully, to reward people who perform at a higher than standard level. And again, it's one of these things that's very easy to talk about, even to write about, but implementing it is very hard, because you're not just dealing with administrative, you're dealing with faculty. Most of the supervisors in the University of California are faculty members. They're not trained administrators or managers, and for them to worry about thinking whether employee A, B, or C is exemplary and should get a merit increase, they're just not going to do it.

10-00:25:48

Lage: It's also morale problems within the unit.

- 10-00:25:51  
Kennedy: You know, so the tendency was to just kind of pass it out, and I think the program—I don't even know whether the program is still in place or not. It may be in some places, but it was kind of—
- 10-00:26:02  
Lage: There's probably no money for it now.
- 10-00:26:03  
Kennedy: Well, I mean, but the pool was set aside. It was permanent money, and it was set aside, so it was money that was going to be there every year. And hopefully, the idea was that it was going to grow. But it did not—it didn't sell well.
- 10-00:26:18  
Lage: In any of the campuses, I'm assuming.
- 10-00:26:21  
Kennedy: I think some of them, I think San Diego embraced it a little better than most. Berkeley was very much against it. I remember I got invited, I guess maybe I was called rather than invited, to visit with the faculty leadership at Berkeley. It was one of the more, using—I would call it confrontations I had with faculty—I mean, it was very friendly, but I was invited to this session, and I went into this conference room, and there was this big long table, and all the faculty were sitting on one side [laughing] and I was asked—and it was just me. I didn't bring anybody. So I went, Oh, my. To try to explain this merit-based program.
- 10-00:27:01  
Lage: Was this the Academic Senate?
- 10-00:27:03  
Kennedy: I guess. I think it was the Academic Senate. Maybe their—I don't know.
- 10-00:27:06  
Lage: But it was only for staff? Not for faculty.
- 10-00:27:09  
Kennedy: No, it was just for staff, had nothing to do—but again—
- 10-00:27:11  
Lage: But they supervised.
- 10-00:27:12  
Kennedy: The faculty supervise more staff than the administrative people. Just think about all the secretaries, technicians, whatever in the departments. It's the bulk of the university employees. And they just really beat me up for about an hour. I mean, it was very friendly, but they weren't buying anything I was selling. [laughs]
- 10-00:27:34  
Lage: Well, let's talk more about the financial systems, if there's more to get at. It seems—just coming from the Berkeley campus, it seems really important.

10-00:27:45  
Kennedy:

Well, it is important, for lots of reasons. One is you want to make sure that you are accounting for and controlling all of your resources, within the rules, whether it be state dollars or federal dollars or whatever, and that you can balance your books, pay invoices on time, because vendors deserve to get their money. That employees are getting paid on time and accurately. That you're maximizing your cash, because if you aren't, it costs you interest. If you're not recovering—let's say federal dollars, you've got to bill the government for a contract, and if you don't get that bill out in time and manage that money appropriately, then you're spending that money and then getting reimbursed, and if there's a big gap, that's costing you interest. And if you can maximize your cash and it's positive, then you're going to gain, because you're going to get the interest.

So there are lots of good reasons to have efficient, effective accounting and financial systems in place. And again, it's simply a matter of culture, of resources, of having the right people, the right talent in place who understand, and the people that have the right training to do these kinds of things, with good leadership at the campus as well as the president's office. And the university is very slow to change in almost every regard, but even slower in the business arena, the financial arena, because it's not a high priority. It is not on the mind of the chancellor every day that we have to be efficient and effective financially. So it's not something where investments are made on a regular basis, and so the university kind of lags.

Jack Peltason used to always say he didn't want to have the best-managed worst academic university in the country. He wanted the best academic, well-managed university in country, and I kept saying, "Well, Jack, you've got to put some money in if you want it well managed." But his point—

10-00:30:02  
Lage:

That was always an issue for you, I bet.

10-00:30:03  
Kennedy:

Yes. His point was well taken, though. There has to be a priority given to the university's main line responsibility, which is teaching, research, public service to an extent. And that that's where the priorities for resources are always going to be, and you have to be smart enough to figure out how to meet the other needs, because you're not going to get big-time increases in those resources.

10-00:30:30  
Lage:

And the campuses allocate their own money, between—

10-00:30:34  
Kennedy:

Well, it's kind of a mixed bag.

10-00:30:38  
Lage:

So would the campus budget come with strings attached?

10-00:30:42  
Kennedy:

Well, in more recent years, it's pretty much formulized by the student numbers, but there was a time in which money was, certain monies was given out for certain administrative things, special money for systems or this or that, but pretty much—

10-00:30:56

Lage: Did that change in your time?

10-00:30:57

Kennedy: Yes, that, the going to the formula-based arrangement, that pretty much happened over the last decade or so.

10-00:31:03

Lage: And who was the moving party on that?

10-00:31:05

Kennedy: Well, I think it was an evolution, quite frankly, that just occurred over a long period of time. Because after all, the thrust of our dealings with Sacramento, and I think the thrust of what Larry tried to do over time, was to regularize the state budget and not have these big swings. So one way to do that is to have an agreement with the state that if we take X number of students, we're going to get X number of dollars. So that model, we moved towards that model over a period of time, and I think it really came to fruition during Dick's early tenure as president.

But then when the state gets into big budget problems, the formulas are kind of monkeyed with and sometimes set aside and so forth.

10-00:31:54

Lage: But is that why the budget cut this time, or the proposed budget cut, was put in terms of reducing numbers of students?

10-00:31:59

Kennedy: Well, I think that is because—and I'm going to assume, I haven't been part of the discussions—but I think the university's position is likely to be that yes, if we have to take those budget cuts and increase the students, the quality is just going to go down, because we're not going to be able to have the same number of faculty and support that we had before on a per-student basis. So if we're going to have fewer dollars, then we probably should have fewer students, so that we can maintain the quality. And I don't think that's absolute. I think they're probably taking some hits beyond the comparable number of students that they're not going to admit next year, but I think the point is there that fewer dollars, fewer students. I think it's—I can't remember—3,500 or something fewer freshmen next year.

10-00:32:53

Lage: Right. And that it also changed the faculty-student ratio.

10-00:32:57

Kennedy: Right.

10-00:32:56

Lage: Which was interesting.

10-00:32:59

Kennedy: Right. So the idea of having the state money come, and there are other monies—there's fee money and certain monies that are derived from our indirect costs and so forth, pretty much on a formula kind of basis. And then leave it to the campuses and not give them too many mandates in terms of how to spend the dollars. One of the popular

phrases around the university after I became vice president was something that everybody—“unfunded mandates.” Kennedy’s unfunded mandates.

10-00:33:31

Lage: Ah! And auditing would be one of those?

10-00:33:33

Kennedy: Yes, sure. Well, you know, you want a good audit program but you’re not giving us any resources, so it’s an unfunded mandate.

10-00:33:37

Lage: Just like the federal government. Federal and state relationships.

10-00:33:38

Kennedy: Right.

10-00:33:42

Lage: And they saddled you with that?

10-00:33:46

Kennedy: Right. [laughter] And then one thing that we did do, and sequencing again, I get this a little out of whack, but this was probably in the mid, maybe ’96, ’97 or whatever. It became really clear to me that the controls, financial controls, that were in existence on the campuses were relatively weak. Some campuses, they were pretty good; some they were not so hot, and that we really had to do something. I actually had some real strong support, particularly from Regent [Howard] Leach on this matter, and with Anne Broome and Pat Reed and our external auditors really pushing on this, we put in place a partially unfunded mandate, because we did get some—I got some resources from the president to put in place the position of controller at each campus, which is a position that used to be very prevalent in colleges and universities, and then somewhere along the line it kind of disappeared.

10-00:34:58

Lage: President Sproul started as controller.

10-00:35:01

Kennedy: Yes. And so the idea was that each campus would have a controller who would be responsible for financial controls, and that individual would have a dotted-line relationship with Anne and with the systemwide controller, who we hired. And the idea was to make sure that appropriate controls were in place all over the system, and again, metrics standards, measurements so that you could tell whether or not those things were in place.

That was resisted. As I said, we put up some resources, and we held those resources in the president’s office, in our office, until the campus actually recruited someone. There was great resistance on the part of a couple of campuses. I always remember—I don’t want to get into individual campuses—but I remember one campus that was really dragging its feet, and I remember I had a discussion with Regent Leach one time. He said, “Now, look. I want to know what’s really going on.” And I didn’t want to be badmouthing campuses to a regent, but I finally said, “You know, if I could just get this one campus to do something.”

Well, he just grabbed the chancellor at the next regents' meeting and read him the riot act about, we want controllers, and we want that person hired, and it better be darn soon or else! [laughter]

10-00:36:21  
Lage:

Wow. And was it?

10-00:36:21  
Kennedy:

Oh, yes, it was. I mean, they still resist—. And then there was the question of, was the person they hired the right person, and we had set out certain criteria in terms of their training and background. This particular campus wanted to basically appoint someone who was already there into this controller position that we just didn't think had the right tickets to do the job—

10-00:36:43  
Lage:

So you were really exercising very close oversight.

10-00:36:48  
Kennedy:

We were trying. We were trying to. But again, I think this is a legitimate role for the Office of the President to do this.

10-00:36:59  
Lage:

Is this more tied with audit than with financial systems, or are they—

10-00:37:02  
Kennedy:

It skirts both. It's more financial than it is audit. Controller reports up through Anne, as vice president for finance. But clearly, there is an audit aspect to it, and Pat Reed is very interested—and they worked very closely together in putting this system in place. With our external auditor, and that's very important too, because they are the ones who come in from the outside to tell the regents that things are going well or not well in the university from a financial point of view. It's not just—

10-00:37:38  
Lage:

Did you get any bad reports from your outside auditors?

10-00:37:38  
Kennedy:

Well, occasionally we had deficiencies, sure. We worked very hard with the auditors in terms of trying to take care of any issues that they had, so that when their audit report came out, that there weren't any deficiencies, but occasionally, there were some problems that were reported to the board, and we'd have to address them.

10-00:38:08  
Lage:

Did the campuses tend to see some of these things as red tape, increasing the red tape?

10-00:38:11  
Kennedy:

Yes, sure. But on the other hand, again, a lot of it has to do with people's background and training, and deployment of resources. I mean, if I tell a campus they've got to hire a controller, and even if I give them money, or part of the money to hire the person, there's still going to be staff, and there's going to be expenses. So in a sense, it is an unfunded mandate. But it's something we need to do. The consequences of not doing it are significant. But again, it's like we were talking, any big organization, whether it be the university or particularly a not-for-profit or one of our laboratories or whatever,

when there's not a crisis, administration is way at the bottom of the priority list. And it's only when something really bad happens, and then everybody says, "Well, why didn't you do that?" Well, I've been talking about it for years, but nobody ever paid any attention, or no one ever gave us any resources to do anything about it. And then when there's a crisis, you take your lumps, but maybe you'll get some money to correct the problem.

10-00:39:27

Lage:

One of the, maybe it's an urban legend, but I have heard that it costs—I may have my figures wrong here, but if it's an urban legend it doesn't matter—it costs thirty or more than thirty dollars to reimburse an expense at Berkeley, whereas in the private sector that same thing might cost six dollars.

10-00:39:53

Kennedy:

I would be shocked if it were that much, but I have no data to say it's thirty dollars or six dollars. But I—

10-00:40:03

Lage:

But how—just what that addresses, I guess, is how the university measures up to private businesses—

10-00:40:08

Kennedy:

If it's true. I somehow think that it's—it doesn't sound—

10-00:40:12

Lage:

It sounds a little extreme.

10-00:40:14

Kennedy:

It does sound extreme.

10-00:40:17

Lage:

Would that kind of thing be affected because there were so many controls in place?

10-00:40:22

Kennedy:

Well, if you think about the way in which universities worked historically, and by historically, if I—well, let me go back to my early days in the sixties when I first went to work at the University of Maryland. Every piece of paper went from somebody's desk, say in the physics department where I worked, and let's say if it was financial, to my desk. I had no authority to sign off on anything, and so it had to go to the chairman, who let's say signs your expense statement. After it had been submitted by your secretary to me, and I reviewed it and said it's okay, give it to the chairman. And then it went to the dean's office, dean of arts and sciences. And he used to sign everything. Then from there, it went probably to the controller's office, where it was reviewed again, and probably somebody sat there with an adding machine and added up the figures again. Then from there, maybe the controller himself signed off on it, and then it was put in a stack, and eventually a check was written. So think about—

10-00:41:33

Lage:

That still might go on.

- 10-00:41:34  
Kennedy: Think about all those steps. Is that necessary? Well, in those days, the feeling was that it was necessary. Modern systems, and I can tell you most of my travel is processed through San Diego now, I submit my expenses to someone in the budget office, because that's where my funds sit. There is a woman there who helps me, and she's not at a very high level, but she reviews my expense statement, makes sure that it's correct in terms of the addition, I guess, makes sure the appropriate receipts are there, and approves it. That document never goes anyplace. It's electronically loaded into the system, and then I get reimbursed through an electronic fund transfer directly into my bank account. That travel expense material is filed, and it's available for review, and periodically there is a review, a sampling of so many of these things in various locations. That's it. So that's kind of one-step shopping, in a sense.
- 10-00:42:46  
Lage: That's new, I would say?
- 10-00:42:48  
Kennedy: At least relatively new.
- 10-00:42:49  
Lage: At least to the Berkeley campus.
- 10-00:42:50  
Kennedy: Well, I don't know about the Berkeley campus, but that's how it works here.
- 10-00:42:52  
Lage: It's similar, but what they'll do is say, Oh, you went to San Diego and you flew for a three-day visit, but you didn't have a hotel. What's the matter? And you have to explain that you stayed with a friend.
- 10-00:43:08  
Kennedy: That's silly. That's make-work.
- 10-00:43:11  
Lage: But that's the kind of culture, I guess.
- 10-00:43:13  
Kennedy: Well, that's where systems and training and good business practices can be put in place to overcome that. I mean, if you put a system in that says, "Here are the key things that one wants to check for. Is the reimbursement in accordance with policy?" Meaning, have they exceeded the per diem as an example, or is the air fare coach, not first class, or whatever. And if the answer is yes and it adds up correctly, then that should be the end of it. If it's deficient in some way, or if there is something unusual, let's say the traveler says, "I had permission from the vice chancellor to travel first class because I have a bad back," or something, well then, the clerk who's reviewing this clearly doesn't have the authority to sign off on that. Maybe it's got to get bucked—but ninety-nine out of one hundred are going to be routine. So ninety-nine out of one hundred can get processed [snaps fingers] boom, like that. And then it goes into the system, and a transfer is made, and sometimes it only takes a few days, maybe a week or something, to get reimbursed. The exceptions are then kicked out, and that's what will take longer, because it might have to go to the vice chancellor to say, "Yeah, I did agree to that. Circumstances mitigate first class travel," or whatever.

And some of the campuses are there and some aren't. But that's the kind of things that we need to put into—that we were trying to put in place, continue to try to put in place.

10-00:44:47

Lage:

That's where business practices come together with financial—

10-00:44:51

Kennedy:

And electronic commerce. Now with computers and e-systems, pieces of paper are becoming superfluous. In fact, when I submit my expenses, I do it by email. I just send an email to the woman who does my expenses. She faxes me then an expense statement to sign.

10-00:45:13

Lage:

But you've got to give your receipts.

10-00:45:14

Kennedy:

And then I put the receipts on it, and I either put it in the mail or drop it off. If I happen to be on campus, I drop it off. Then she does her thing, and I get reimbursed. If I put it in the mail, it's a couple extra days, but that's my problem, not the system's problem. But I never—it's all done by electronic means, except for the receipts, you're right, I do have to submit those.

10-00:45:39

Lage:

Now, did you have something to do with encouraging the electronic systems?

10-00:45:44

Kennedy:

Yes. I mean, that's again an evolutionary thing, and there's a lot of activity around the country in terms of e-commerce, and in fact the San Diego campus has been a leader in that regard. Steve Relyea, who is the vice chancellor for business here, has really been on the cutting edge, and I think probably some of the people at Irvine too, but particularly San Diego. So we started a couple of years before I stepped down working with Steve. We started a new program that's a successor to Partnership for Performance, and I'm trying to remember the terminology, I'll think of it in a minute. We actually made a presentation to the regents and set up a program working with the campuses and with people in the president's office to develop e-commerce, and to take some of the existing practices at other places and here in San Diego and in a sense market them to the rest of the system. And that's an ongoing—

10-00:46:49

Lage:

Now, how did you market it?

10-00:46:50

Kennedy:

Well, I mean, it's just demonstrating to a campus that here is a way in which you can do a particular piece of business in less time, less expenses, fewer people, by using—

10-00:47:05

Lage:

So you would work with your counterpart on the campuses?

10-00:47:06

Kennedy:

Well, I mean, there's a forum, the vice chancellors get together, and in this particular area, designate someone on your campus to work in a group, in a committee, to develop

these practices. And then to work locally to try and implement them. And again, it's a matter of having the right people who are pushing these things at the local level.

10-00:47:32

We didn't really talk about that, the fact that you would get together with the vice chancellor for administration on the various campuses. On a regular basis?Lage:

10-00:47:40

Kennedy:

Yes, we met monthly, as a council of vice chancellors, I guess that's what we called it. Yes, I started that. Well, Ron Brady used to do that, and I can't remember whether we met monthly or not, but we met several times a year. And again, yes, a forum for discussing issues and problems. My approach was to make it more campus-focused than president's office-focused, to try and get the campuses to participate more. But a certain amount of information issues had to be distributed, communicated to the campuses, and that was a good forum—

10-00:48:22

Lage:

The kind of things we've been talking about.

10-00:48:22

Kennedy:

Yes, that was a good forum to do that. Reports, like on the capital program, or some issue with the board of regents that was going to require us a change of policy, or maybe it was the controllerships, or whatever the issue of the day was. That's the way in which you worked with the campuses. So we'd meet once a month for a day.

10-00:48:49

Lage:

I would think that would build good enough relationships that some of the unwillingness to work together—

10-00:48:55

Kennedy:

Yes, I mean, it did, but sometimes, you have those meetings and by the time people get on the planes, they would have forgotten about it, dismissed it or what have you.

10-00:49:03

Lage:

Did the campuses learn from each other? Did you ever see Berkeley taking up some of UCLA's business practices?

10-00:49:09

Kennedy:

Oh, I think there was a lot of that. Not as much as there could be. I mean, shopping best practices was something that Richard Katz did in the Partnership for Performance. Richard as a change agent, part of his responsibilities was to find out good practices either here or elsewhere and try to implement those throughout the system. And again, it's a matter of the people, the resources, how important they thought it was.

10-00:49:37

Lage:

So would Richard go to the individual campuses?

10-00:49:40

Kennedy:

He spent a lot of time visiting campuses, and again, working—we had a group, each campus had a representative that would meet periodically with Partnership for Performance, somebody in a fairly responsible position. Generally not the vice chancellor, although there were a few that were involved.

10-00:49:54

Lage:

Now, tell me more—I think we didn't really get a sense of what Partnership for Performance was.

10-00:50:00

Kennedy:

It was an attempt, using IBM as a resource, mostly with IBM consultants—

10-00:50:11

Lage:

Was that the Partnership part?

10-00:50:13

Kennedy:

That was the Partnership for Performance—to bring private sector and other business practices to the University of California, by drawing on the experiences of the IBM folks. That team was led by Kris Hafner, who I mentioned earlier, and Richard Katz was the key person in the University of California. We submitted a proposal to IBM and they gave us a grant, a grant-in-kind, the value, I think, was a couple hundred thousand dollars of basically free consulting. So their consultants would come out, and we'd talk about the university's practices and practices that were prevalent around the country, in business and in other colleges and universities, and then try to see if those could be implemented in the University of California.

10-00:51:07

Lage:

So you'd have the learning that took place at the president's office, but then trying to get that out to the campuses.

10-00:51:13

Kennedy:

Well, and I said, there was a group that was brought together with a rep from each campus to work with the president's office, work with the IBM consultants, and then to carry those things back to the campus.

10-00:51:28

Lage:

And then how do you evaluate the kind of change that that was making?

10-00:51:32

Kennedy:

Well, it's a very slow and evolutionary process. Periodically, there would be reviews of what had been implemented. We'd publish reports, and there's documentation of what we did. So there was a way to find out whether campus A was getting with the program or not. This is in the midst of taking care of all your other business, so it was—it just takes a long time.

10-00:52:05

Lage:

Yes. Was Richard Katz patient about it? I would think a person who was the agent for change would have trouble with the university and its ways.

10-00:52:13

Kennedy:

Well, Richard had been around a while. He was a very likeable individual, and I think the campus people liked Richard. He was very smart, he was very articulate, he wrote extraordinarily well. He and I authored a couple of papers together, and he could put ideas onto paper that were very convincing to people. So I think some of it was his personality and his intellect, and he was very tenacious, he was a driver. Sure, he got impatient at times. I mean, in a sense, it's a thankless job in a way, because one, you're not in a line management position, you're in an advisory role, and in a certain sense, it

was training for Richard, because he wanted to be a line manager. I always thought he would make a very good vice chancellor, but we never quite got there, because he went off to work for—I think it was Educom, which is a national organization representing universities in the computing and information systems arena. But I haven't seen him for a few years, but the last time I saw him, he seemed to be very happy. He moved to Boulder where they're headquartered.

10-00:53:38

Lage:

Okay. You were trying to institute a corporate culture, I saw this in a couple of your things that you wrote. Did people kind of object to that terminology?

10-00:53:55

Kennedy:

Well, I think they did. My main point about the corporate culture was, and this was really more for the president's office than the campuses, because if you think about the Office of the President, it really is a corporate headquarters. We don't teach, we don't do research. We sure as heck didn't see patients. We did some public service. But we were a corporate entity. And I remember when I first went to the president's office, morale was really in the tank. I mean, the staff were just beside themselves over all the issues, all the bad press, all the things that were going on on the top floor of the Kaiser building.

So we started talking about morale, employee morale, and better communications with the employees, and so forth. Everybody was approaching this like it was a campus environment. Well, it's not. There's no bookstore, there's no—you can't walk out and wander around the campus and talk to faculty and students. Except for a few Academic Council reps, there are no faculty in the president's office. So it really—and my view was, you need to start thinking about the president's office as a corporate headquarters. Not in a negative sense but in a positive sense, and try to embrace some of the practices that corporations used in their headquarters to embrace morale.

And I don't think people liked that very much. I don't think they wanted to admit—and a lot of people in the president's office came from campuses. I came from a campus, the president came from a campus, the provost—

10-00:55:38

Lage:

And the office came from a campus.

10-00:55:39

Kennedy:

Yes, the office came from—

10-00:55:43

Lage:

A lot of those people had worked in downtown Berkeley.

10-00:55:44

Kennedy:

Yes. But we were no longer on a campus, we were in the middle of downtown Oakland, isolated from the campuses. We sometimes had an opportunity to visit campuses, but we were not part of it. And the campuses didn't view us as part of them. I used to call the place the Puzzle Palace. [laughter]

10-00:56:06

Lage:

Now, why was that?

10-00:56:06  
Kennedy: Just, I don't know, it was just a phrase I came up with when I was still a vice chancellor.

10-00:56:13  
Lage: Oh, I see. Does that show a change in—

10-00:56:15  
Kennedy: And other people called it World Headquarters. [laughter]

10-00:56:19  
Lage: Now, what did you mean by the Puzzle Palace?

10-00:56:20  
Kennedy: I don't know, just everybody always wondered what the heck was going on up there, and why they came to certain views and—

10-00:56:30  
Lage: So you understood the campus view because you'd had it yourself.

10-00:56:32  
Kennedy: Oh, I had it for twenty years.

But the idea of—and it wasn't the terminology, that we need a corporate environment—the idea was that we needed to look to the corporate, private sector for ways in which we could help improve things, and not just rely on our own experiences and our own culture, because it wasn't working. I mean, the president's office really was in a sad state for a long time.

10-00:57:01  
Lage: Now, what was sad about it? Aside—I thought you were talking about the immediate crisis—

10-00:57:07  
Kennedy: I think it started—I don't know when it started, but it clearly peaked during the end of the Gardner administration, when a lot of the employees were suddenly aware of some of these things that were going on that they didn't know, that had never been publicized before. There was I guess a lot of infighting going on in the president's office. I don't know the details, I just heard these things when I got up there. There was acrimony between certain vice presidents and certain regental officers and certain elements of the president's office. So all of this was milling around, and yes, the employees were being asked to work harder, longer, for less pay. I mean, the morale was just not very good.

10-00:57:56  
Lage: So it was more the morale rather than—

10-00:57:59  
Kennedy: Well, it was morale, and it wasn't a friendly place. I mean, it was not—people sometimes didn't like each other. That's kind of sad. So the idea was, Well, how can we deal with this? Well, one idea was better communications. Let's frequently communicate with the employees in the president's office so they know what's going on. There were no secrets. Let's tell them, if we know X is going to happen, let's get the word out, not let rumors take over. Let's get the right words out. And let's demonstrate

it at the senior level of the president's office that we all get along, and clearly, when Walter and I got up there, he and I got along famously. We'd have—we used to have staff meetings in the Kaiser building in the cafeteria where we'd invite everybody in the president's office. I don't know if that was ever done during the Gardner administration. I had quarterly staff meetings of everybody in my division, and tell them what was going on, what my thoughts were, where we were heading. We'd invite other people to come in and talk about various issues, like Larry Hershman coming to talk about the budget. Just to open it up, get people—and serve coffee and Cokes, so people could have a little social time. Trying to socialize the president's office. It was not a very sociable place.

10-00:59:22

Lage:

And did that work?

10-00:59:23

Kennedy:

Well, I think over time, it paid off, yes. And I also think people felt that they were being blamed or abused for a lot of the bad things that were being touted in the press, and that the campuses were blaming the president's office. I mean, there was a lot of finger-pointing, and a lot of the staff who had nothing to do with any of this were taking some of the brunt of it. I mean, they'd call on the phone, somebody from the campus would complain. So I think everybody just felt sort of abused, and to try and develop a different kind of an attitude and culture and rapport was quite difficult.

There were some people who were viewed as, you know, the favorites in the president's office, and others were viewed as outside of the inner circle. We tried to break all that down. I mean, everybody's part of the family. We're all here to make the university better. It took time. But I think it worked. Tried to open things up a little. I used to walk the halls, too, which was—and when I had a meeting, if I were going to meet with somebody who worked for me, rather than have them come to my office, I used to go to their office, just as an example. So people could see, Hey, he's just a regular guy, he comes down to the fifth floor. You're not always summoned up to the, whatever floor we were on in the Kaiser building, eleventh floor or whatever it was. So it's just a different attitude and culture.

10-01:01:03

Lage:

Did the move to the new building change things?

10-01:01:08

Kennedy:

Oh, it was a mixed bag. I mean, the move to the new building was something that was an economic necessity, because the lease in the Kaiser building was going to expire, and we felt, I felt, that we had to look at alternatives. So the idea was to describe what our needs were and to put out a request for proposal and ask people to bid on different models, either lease space, build to suit, or whatever. And we just left it wide—Here's what we need, you guys tell us—. And interestingly, I think the Kaiser properties people and whoever was manager of that building, I don't think they quite thought we were serious, that we were going through an exercise in order to have a strong negotiating position. And in fact, we were very serious, because again, these were not great economic times, and we were—we had a decent deal at the Kaiser building, and if we could have maintained it, we probably would have stayed there. But their proposal was out of sight, in terms of continuing to maintain all the space we had there.

The very best proposal, and although it didn't meet all of our needs, it met 80 percent of our needs, was by a developer who had worked with the city, so basically land was provided by the city as redevelopment, and the city put up some money for infrastructure, and the whole thing finally came together. It was the best financial deal for the university. And it's not the greatest building in the world, and I've taken some criticism for the building, because it's not as plush as the Kaiser building was, and it didn't have everything we needed. Whenever anybody criticizes that, I remind them they should go back and review the times, and review the mandate that was given to me by the regents, who were not in the mood for us to come in with some big grandiose plan.

10-01:03:28

Lage:

Also, there had been tremendous criticism of the Kaiser building as being too fancy, too corporate.

10-01:03:33

Kennedy:

Plush, right. And so I think the Franklin Street building was a good compromise. In fact, I had a committee of three regents that I asked the chairman of the board, with the president's permission, to appoint, to work with me, so that I had the regents' buy-in, and I could gain from their perspectives and experience and so forth. They were quite pleased with the outcome.

So when people are used to—I mean, people are creatures of habit, so when you're used to going to the Kaiser building every day and suddenly you've got to go to the Franklin Street building, well, you've got to change your pattern. Even though there was a BART station right there—

10-01:04:14

Lage:

It was more convenient.

10-01:04:15

Kennedy:

It was closer to BART. We had parking garage right there for those who wanted to park, and it was better than the Kaiser building parking, because we had ample spaces for everybody in the Kaiser building sometimes, it was hard to find a parking space, even though we paid a lot of money for it. And the offices some people thought were too small, and some people didn't like the sort of austerity of the building, and they didn't like the telephones—I mean, all the normal complaints that you can imagine. But I think, and maybe it's because it was my project, but I think it was a good thing to do.

And then I also had hopes that probably are never going to be—I shouldn't say never—but have not been achieved, and that was that there might be at least, if not a downsizing, at least a flat, in terms of the number of people. In fact, that's not happened. I think it's probably grown a little bit. Not by accretion, but just new programs and new things coming in for which you've got to hire people, and if you hire people, you need space, and—

10-01:05:30

Lage:

And is there enough space there?

10-01:05:32

Kennedy:

Oh, no, there's never been enough space in the Franklin Street building. In fact, part of the plan was to move what I'll call back-office kinds of things, like the computer center, our systems, and our benefits folks, actually we had considered a rental, a leased building, that was in San Leandro. Two BART stops down or three BART stops down. That would have really upset people, because it was further. But the price was fantastic. And again, we knew we had residual people, and they either had to stay in the Kaiser building or we had to move them someplace else. They wouldn't fit in the Franklin building. We never scheduled, for example, our computers to go there. It just didn't make any sense to do that. Because you can do it cheaper.

10-01:06:26

Lage:

You can do it cheaper and it's not—

10-01:06:26

Kennedy:

I mean, back office, you can put computers in a warehouse, or you can put people who are processing things in a warehouse. I don't mean that in a derogatory way at all. It's just that they don't need to live in prime downtown space. The president's office had to be in a convenient location for people to come from the airport and so forth. And it was a good deal, but the deal was constrained by the footprint and by how high we could build and by dollars. We always knew we were going to lease, and the backup was this building in San Leandro, and at the very last moment, the Kaiser people, after we told them we weren't going to lease the majority of the space, caved in and gave us basically the equivalent of what we were going to get down in San Leandro, and we were able to leave the benefits and the systems folks in the Kaiser building. And they're still there.

10-01:07:15

Lage:

And they're probably happier than they would be in San Leandro.

10-01:07:17

Kennedy:

Absolutely. I would have been probably run out of town if I would have told them they were going to—I mean, that was not public knowledge, that was our sort of ace in the hole or whatever. If we couldn't stay in the Kaiser building.

10-01:07:33

Lage:

What kind of attention was given to the quality of the office space for the president and the vice presidents when you moved?

10-01:07:43

Kennedy:

The quality of the office—

10-01:07:44

Lage:

The décor.

10-01:07:44

Kennedy:

The décor for everyone except the president was basically the same. I mean, in fact, when I retired, I was still using the same desk that Ron Brady used when he was vice president, the same credenza, and the same sofa. Maybe that was a statement, I don't know. And Jud King, who had the same furniture that Walter Massey had, and I think that belonged to Bill Frazer when he was vice president. The president's office, Dick's office, because I guess Jack never moved in—no, he didn't, Dick actually moved into the Kaiser building and then—was a little more dressed up in terms of wood paneling

and new furniture for the president. But I think that certainly was justified. He had a very nice large conference room adjacent to his office for Council of Chancellors meetings and other things.

But outside of that, the vice presidents; I mean, I had a bigger office than most other people, but there was nothing special about it. It was painted the same color, it had the same kind of carpeting, and I did have curtains where other people only had blinds, but they were modest curtains. They were nothing fancy, believe me.

10-01:09:01

Lage:

Well, I think that's important to morale, probably, in that setting.

10-01:09:03

Kennedy:

I couldn't agree with you more. We tried very hard to make it something that was workable and comfortable but certainly not extravagant in any way. I had a much better view in the Kaiser building than I had in Franklin Street, I'll tell you. [laughing] I had a nice view of Lake Merritt.

10-01:09:27

Lage:

Did you ever consider moving out of Oakland, the whole operation?

10-01:09:31

Kennedy:

Oh, yes, we were wide open. We did not restrict it to Oakland. But there were no decent proposals. There was one parcel of land in Berkeley that we thought somebody might submit a good proposal on, but it never happened. And I was quite surprised that the City of Berkeley didn't try harder to get the president's office back. I don't know, I think Shirley Dean was the mayor then. I talked to her a few times. I don't think they made a real effort to make it easy. And we would have—it would have been fine to move back to Berkeley. Not on the campus, obviously, but there was a location—oh, I don't know, it was maybe eight or ten blocks from the campus that had potential. The very best proposal—and in fact, San Francisco was not out of the question, although I think it was unlikely because of the cost.

But the criteria was, it had to be financially viable, and it had to be close to a BART station. Ironically, as you may know, the Franklin Street building is only a block from the home of the original University of California, which was in Oakland.

10-01:10:50

Lage:

I didn't know that.

10-01:10:51

Kennedy:

It's a parking garage now. But it's on Franklin Street, and it's one block. It's Tenth and Franklin, it's a parking lot. There's a plaque on the side of the building that says "original home of the University of California." They moved to Berkeley to get out in the country.

10-01:11:06

Lage:

Right. [laughter] And to get more space.

Okay, anything else to say about the move to the new building?

10-01:11:14  
Kennedy:

No, overall, it was a good move. The city, Oakland, was delighted to make it permanent, that we were going to be there probably—I won't say forever, but for a very long time. The mayor at the time, Elihu Harris, was very much involved in working with us and the developer. I met personally with the mayor several times. He was encouraging for us to stay, and we even cut a deal with the city in that we sold them the public parking, the public part of our parking garage, and they operate it. They own it and operate it, and we just have our own part. So if you go and park there as a transient, you deal with the city, not with the University of California. We didn't want to operate a parking garage, so—and it worked out very well, for them and for us.

And downtown Oakland has kind of revitalized. It was a fun place. Actually, in many regards, from my perspective, it was better than the Kaiser building, because there were more places to go and to eat—

10-01:12:27  
Lage:

You're right near Chinatown.

10-01:12:26  
Kennedy:

Yes, and there was City Center right there, and there were some restaurants that had opened. It's become a pretty vital and exciting place. So I think it was a good move.

10-01:12:40  
Lage:

Good. I'm thinking we might be at a good point to break, to stop, do you think?

10-01:12:46  
Kennedy:

Yes, that's good, perfect.

10-01:12:47  
Lage:

We've talked quite a while. We have two minutes left on this tape.

10-01:12:50  
Kennedy:

I'm starting to wear down.

10-01:12:52  
Lage:

Okay, let's call it a day.

[Interview 5—morning session: January 30, 2004]  
[minidisc 11]

11-00:00:00

Lage: Okay, we're going to start, and we're recording, and here we are back in Berkeley, in the depths of The Bancroft Library, with the fifth session with Wayne Kennedy, January 30, 2004. Okay, we're just going to continue right on with our discussion, but move to a new topic, which is you were responsible for human resources.

11-00:00:24

Kennedy: Yes, I was.

11-00:00:24

Lage: And you made some changes in the organization, and there were a lot of issues over that time, so let's start with that whole area.

11-00:00:33

Kennedy: Okay. When I became senior vice president, the human resources functions and the responsibility for managing the retirement system were divided. There were two separate offices, both reporting to the vice president. It didn't make a lot of sense to me, because they're very closely related matters, and normally, I think you'd have HR and retirement and benefits reporting into one individual. But there were personalities involved, and I don't know the origins of that organization, but there was an assistant vice president for human resources, a woman by the name of Lubbe Levin, and there was an assistant vice president for retirement system, Carole Swartz. They were very separate and there was not a lot of communications between those two offices.

The person that had responsibility for human resources also had responsibility for other benefits, medical benefits and things like that, so—

11-00:01:54

Lage: But the benefits office had responsibility for retirement?

11-00:01:57

Kennedy: No, it didn't. The retirement was handled by a separate office, just handling retirement issues, and administering the system. Again, as I think we talked in a previous session, we did not do the investment part of the retirement. That was done by the treasurer's office. But the administration of the retirement system, in terms of providing services to annuitants in terms of their retirement payments and overall management of that system, doing the actuarial studies of the retirement system and the like, was our responsibility.

There were issues with the faculty in two areas. One, the faculty are very interested in the retirement system, because they had a big stake in it. And again, as I'm sure you know, we have a single retirement system for faculty and staff. That was initiated back in the early sixties, I think. There's not any real differentiation between faculty and the staff. But the faculty seem to have a much higher level of interest in watching the system than do the staff employees, for whatever reason.

11-00:03:14

Lage: I can't imagine why. Really, being a staff employee.

11-00:03:17  
Kennedy:

So the Academic Senate had a Faculty Welfare Committee, as do all the campuses, or the Academic Council had a Faculty Welfare Committee, and they interfaced with the retirement system as well as with the human resources on other benefit issues, health care, and the like.

And then I think I mentioned to you off-line that there was an advisory board to the UC Retirement System that was made up of elected members from the faculty, from the staff, and a certain number of appointed members, and the senior vice president was the chair of that committee. And that was an issue with the faculty when I became vice president. They felt that the chair ought to be elected by this advisory board, not have an ex officio chair in the vice president.

Right before I became vice president, there was a study done, a review done, of governance of this advisory board, and again, the advisory board was advisory. It had no authority or power whatsoever. It was strictly advisory to the administration and to the regents. But again, the faculty felt very strongly about it, and I recall shortly after my appointment was announced and before I took office, I received a phone call from a faculty member at UCLA, actually an emeritus faculty member, by the name of Werner Hirsch, who's an economist. He asked if he and a colleague of his could have dinner with me to talk about retirement issues. I agreed to do that, and I did have dinner with the two of them in Los Angeles. The other person was Duncan Mellichamp, who is a chemist from Santa Barbara, and then in later years became head of the Academic Council. I had a fair amount of interaction with Duncan.

But their issues, as I recall the conversation at dinner that evening, were in two arenas. One had to do with the retirement board and their view that it needed to be modified, and that the chairman should have to rotate and be elected and so forth. But the other had to do with what I can only describe as a love-hate relationship the faculty had with Carole Swartz, who was the assistant vice president for the retirement program. Carole was—is—a very smart woman, and in the main did some very creative and innovative things in terms of improving the retirement system, and I give her and Ron Brady a lot of credit for that. I think there were some real improvements. On the other hand, Carole was—I guess I will describe her as a type A, and somewhat quick to the draw in dealing with the faculty, so it was not unusual for her to get at odds with faculty members over issues. She was, quote, an expert, unquote, in the retirement. Most faculty and most staff maybe knew the principles, the basics of the retirement system, but they clearly weren't experts, so there were certainly areas where you or I could come to a conclusion about the retirement system that might be totally incorrect or inappropriate, because we were naïve about it. Of course, Carole knew it from front to back, so she didn't have a lot of patience for those of us who didn't understand it as well. And her personality was somewhat combative, and so there was a lot of issues.

On the other hand, I think the faculty did appreciate some of the innovative things that were done to improve the retirement system. So there were these kinds of turmoils that were going on, and additionally, as I think we mentioned several sessions ago, my management style was a lot different than my predecessor, Mr. Brady. I was much more inclined to delegate responsibility and not be personally involved in a lot of decisions, particularly minor decisions, because I didn't feel I had the time to do that, and really felt that it was important for the people, the senior people that reported to me, to take the

authority and responsibility and run with it. In one sense, that's how you judge the people that work for you.

I don't remember Carole taking very well to that. She wanted to have a lot of discussion about issues that I felt were not very important, and I wanted her to take the responsibility and carry those things out. On the other hand, there were some practices that were going on in the retirement arena that I felt were not quite appropriate, and so I was challenging her to change some of those practices. For example, I thought there was much too close a relationship between the retirement office and some of the consultants, the actuaries and other consultants that were brought in to provide technical assistance to the retirement plan.

11-00:08:55

Lage:

Now, what do you mean by that?

11-00:08:57

Kennedy:

Well, I'll give an example. I found, I guess it was the first or second winter that I was there, that the annual Christmas party held by the retirement office was in fact paid for by these consultants, which is a total inappropriate thing to do in a state institution, because that presents a conflict. And I don't think there were any conflicts, but the perception of conflict is many times as bad as real conflict.

11-00:09:27

Lage:

Especially at this time in the universities.

11-00:09:30

Kennedy:

Right. We were being challenged because of various practices.

11-00:09:34

Lage:

Now, were these consultants places like Fidelity and other places?

11-00:09:38

Kennedy:

No, these were more actuarial consultants—

11-00:09:41

Lage:

I see, that you had contracts with?

11-00:09:43

Kennedy:

We had contracts with them to perform certain technical services because we didn't have the capability in-house, nor did it make sense to develop that. And you want things like actuarial studies to be done independently, because you have to present those to the regents, who then determine what the parameters of the plan are going to be in terms of the rate of return and so forth, based on advice that you get from your consultants. But I just felt that—not felt—that it was inappropriate, so I put a stop to that, and that did not set very well with Carole Swartz and with some of her people, who felt there was nothing inappropriate going on, and I'm not saying that there was. It just didn't appear appropriate, and in fact, I think would have been judged a conflict by any sort of legal review.

So there were little things like that, and I would have to be honest in saying that Carole and I did not have the best of relationships.

- 11-00:10:49  
Lage: Well, you must have been concerned also with how she dealt with faculty, because you had a very different style from Ron Brady's.
- 11-00:10:54  
Kennedy: Right. And I think the style—again, I think the faculty on the one hand liked some of the things that she and Ron had done, and on the other hand—
- 11-00:11:08  
Lage: And her and—?
- 11-00:11:08  
Kennedy: And Ron Brady had done.
- 11-00:11:07  
Lage: Oh, “and Ron”—it sounded like Enron! [laughter]
- 11-00:11:11  
Kennedy: Oh! [laughter]
- 11-00:11:12  
Lage: I want to get that straight!
- 11-00:11:14  
Kennedy: And Ron. But on the other hand, I don't think they cared for the style, which they perceived as being somewhat arbitrary and authoritative, and my style in dealing with faculty was far from that. And again, no one advocated that we should get rid of Carole or anything like that. They just felt there ought to be a different kind of an involvement of the faculty.
- As a result, I started meeting with the Faculty Welfare Committee on a regular basis, most of those times with Carole and others in the room, and sometimes just on my own, and tried to develop a different kind of relationship. And quite frankly, I think it worked, because when I retired, I got a gift from the Faculty Welfare Committee. All the faculty members who had been chairs of that committee during my tenure pitched in and bought me a beautiful piece of glass that was done by an artist in Laguna Beach. The gift was nice, but what was even nicer was the fact that that confirmed for me that the faculty appreciated that style and the amount of time that I spent working with them. So it was very rewarding for me. In fact, it was maybe one of nicest things that happened when I retired, was to get that recognition.
- 11-00:12:38  
Lage: Now, what were the kinds of things the faculty were concerned about, that was happening with the retirement system?
- 11-00:12:45  
Kennedy: Oh, I mean, just investment policy, for example, of which again—
- 11-00:12:48  
Lage: But that is really—

11-00:12:49

Kennedy:

That's right. That was the treasurer's office, but their way of getting their oar in, if you like, or their input in, was through this retirement advisory board and through Faculty Welfare. And the treasurer did meet with them on occasion. In terms of the regular defined benefit program, while the faculty might have an interest in it, in a sense, it's moot, because the benefits are determined not by investment results; benefits are determined by years of service and an actuarial number, and your average salary. So whether the portfolio does well or bad, you're still going to get your retirement that's guaranteed. But—

11-00:13:33

Lage:

But what if the portfolio is so bad that the system goes—

11-00:13:37

Kennedy:

Well, the regents would still have an obligation. Now, whether they have a legal obligation, I think, but that would have to be something that would be tested. The retirement system, to my knowledge, has never been on the brink of collapse or anything, in fact—

11-00:13:54

Lage:

Were the faculty worried about the VERIP benefits maybe draining the system?

11-00:13:59

Kennedy:

Well, when I entered the scene, the third VERIP was already out on the street, and that was the last, so it was more implementation than it was kind of deciding the parameters of the early retirement program. There were some implementation issues, but I don't recall those as being very serious. But you invest in the 403(b) plan as a supplement to your retirement, there the investment results are important, because that's your money, and if it does well, you're going to have more money in retirement; if it does poorly, you're going to have less money in retirement. So they had an interest in how that money was invested and managed. One of the issues was broadening the options that were available, and at one time, the only option you had as a faculty or staff member for 403(b) was the university's investments, fixed and their equity program and bond program. Later, it was opened up to include Fidelity, certain Fidelity funds, not all of them. And there was still a feeling on the part of some faculty that we should open it up even further and have TIAA-CREF, for example, as yet another option. We never did that during my tenure, although it was talked about. The reason primarily is that we just can't arbitrarily select another vendor like a TIAA-CREF or a Vanguard or whatever; you'd have to go through a big bidding process and open it up for multiple potentials, and we just didn't feel that that was indicated, given—oh, and also, the Calvert Fund was available, and still is, I assume, as a green fund and the like.

11-00:15:49

Lage:

Were those bid? The Fidelity and Calvert?

11-00:15:52

Kennedy:

I assume they did, although that was prior to my tenure, but I assume that there were requests for proposals sent out, and that the decisions would be made on the basis of what the company was offering in terms of services and the like, and I guess breadth of portfolio. So there were always issues that had to be dealt with.

On the health care/benefits side, getting away from retirement for a second, there were always issues, because the cost of health care was going up. The plans that we were offering, we were trying to continue to provide a breadth of plans for the faculty and staff at a time when the budget was very tight, and we did have a new program, the point of service program, which initially it seemed that everybody was very suspicious and didn't like it, but in the end, it proved to be a very popular program. I myself continue to—

11-00:16:54

Lage:

I guess I don't even know what that is.

11-00:16:56

Kennedy:

Well, it's a plan that forces you to go through your primary care physician to get to other specialty physicians. So as opposed to an indemnity program, where you can basically go to any doctor you want, and the insurance company is going to reimburse at a certain level. Or an HMO, where you go to a Kaiser as an HMO, and they basically direct your care. It's really kind of out of your hands. The point of service was sort of between those two. On the one hand, if you wanted the plan to pay, you had to go through your primary care physician; but if you wanted to go directly to, say, an orthopedic surgeon, you could do that, but then you would pay a greater co-pay. If it was in the network, there was one level of co-pay; and if you wanted to go outside of the network, there would be a larger co-pay. So if you had a coronary and you decided you wanted to go to Stanford and have some Stanford thoracic surgeon operate on you, you could do that, and the plan would pay part of it, but you would have a bigger co-pay than if you went to your primary care guy and he said, "You need to have heart surgery," and you get referred to a UC physician or another physician in your network. So it just gave more options, and it would cost a little more than an HMO, but it was a plan that had a lot of flexibility. And in the end, a lot of people liked it.

The so-called indemnity plans just got so expensive that basically they are still available, but cost I think now \$1,800 a month or something. So they're very expensive.

11-00:18:38

Lage:

Few people choose those.

11-00:18:38

Kennedy:

Well, the only people that would continue to have one probably are people that have some pre-condition that they just can't afford to shift plans and lose coverage.

So in any event, the benefits issue was a significant one to deal with.

In the human resources area, again, these were bad budget times—

11-00:19:06

Lage:

Can I just interrupt one minute—did we finish the story with Carole Swartz? Did she stay on or—?

11-00:19:09

Kennedy:

Well, she stayed on for a while, and I don't remember the exact sequence. At one point, I brought an outside consultant in to do a study aimed at combining the two offices, and clearly Carole didn't like that very much. The other thing that I will always remember is

the first year that I was vice president, I informed all of the people that reported to me that I was going to evaluate them on an annual basis, and I asked them to submit to me their plans for the year. Now, remember, I went up there in June, and this was July or August. I asked them to tell me what their plans were for the next twelve months and what they felt their priorities were going to be and what their issues were going to be, and what they were going to do about those things, and that would be the basis on which I would evaluate their performance.

When Carole—and I had talked about this at a staff meeting, and then I sent each of them a letter—Carole got her letter and she came up and she says, “Is this designed to try and get rid of me?” I said, “No, it’s a management tool that allows you and I to agree on what’s important in your arena for the next year, and then so you in a sense have a contract to play out those issues that you and I agree on, and then at the end of the year, I have something by which I can say you succeeded or failed, or you did very well, or you did okay.” And she didn’t like that very much. She was used to a more loose style, I think, of just kind of doing her thing.

11-00:20:51

Lage:

But in close—it sounds like she also wanted closer working—

11-00:20:57

Kennedy:

A closer day-to-day relationship, which I quite frankly just didn’t have the time for. But again, I don’t know whether my predecessor did those kinds of evaluations annually or not. Actually, they’re required by our personnel policies, but I felt it was very important.

11-00:21:14

Lage:

Had you done that at San Diego?

11-00:21:14

Kennedy:

Yes, of course.

11-00:21:16

Lage:

And after they develop their plans, then is there a discussion—

11-00:21:20

Kennedy:

Oh, throughout the year. It’s not—

11-00:21:23

Lage:

But I mean, where you okay those plans?

11-00:21:25

Kennedy:

Oh, yes. Yes, they would submit them to me, and I would review them, sit down and review them with each individual, and would agree. These are the priorities for next year, and these are things you need to deal with, and in a sense, we would have a contract that those were the things that were going to be emphasized. And then I met with my staff as a group and individually on a regular basis, and we would periodically talk about the issues and so forth. It wasn’t just, wait till the end of the year and then evaluate. It was an ongoing evaluation, but there was a formal, written evaluation at the end of each year, and I used that evaluation to help me determine what kind of salary raises to give, when there was money available for salary raises, which there wasn’t the first couple of years.

11-00:22:13

Lage:

So anyway, Carole found that threatening, it sounds like.

11-00:22:15

Kennedy:

Yes, I think she—well, I don't know whether threatening, or whether it just was something she didn't enjoy doing. I can't really put myself in her head. But clearly, she didn't care for that approach.

But then I also expected those people to do the same thing with their staff. I mean, you have to have a way to evaluate performance. You need to develop some metrics to do that, and if you don't do that, I don't—if you've got six, seven, eight, nine people reporting to you, you have to have some mechanism other than—

11-00:22:47

Lage:

This sounds like the ideal way that the personnel evaluation system works. Where really I don't think it's used that way that much.

11-00:22:54

Kennedy:

Unfortunately, I think you're right. [laughter]

11-00:22:57

Lage:

Having been part of the system.

11-00:22:59

Kennedy:

Yes. I mean, clearly, the university does not in general have the discipline that a business has in that kind of evaluation. And there, you can read the books, the business books, and some people will advocate that a strict evaluation system is important, and others will advocate that a more informal system—. I happen to think that in a very diverse organization like the university, where you have so many people supervising, and the hierarchy on the administrative side is reasonably well defined, but on the faculty side, it clearly isn't. And as I think again we mentioned earlier in our discussions, the preponderance of supervisors in the university are faculty members, not trained administrators. I think having a system to help the faculty evaluate is important. On the other hand, I don't believe the faculty use those tools very much. In fact, I think if the faculty had their choice, the raises would just be given out automatically and they wouldn't have to think about it. At least most of the faculty. So we tried to provide tools for them to do those evaluations.

11-00:24:14

Lage:

Now of course, this is all on the staff side that we're talking about.

11-00:24:16

Kennedy:

Yes, on the staff side. Evaluation of faculty, that's a whole different—

11-00:24:21

Lage:

You didn't get into that.

11-00:24:22

Kennedy:

No, that was done by the provost and that's all done down at the campus level, and that's the ranking stuff. I know a lot about it, but that was not my responsibility.

11-00:24:32

Lage: Just to be clear in this interview.

11-00:24:33

Kennedy: Right. No, this is just for staff.

11-00:24:36

Lage: Right. Okay, so anyway, Carole—did she eventually leave?

11-00:24:38

Kennedy: Eventually Carole decided to leave. She had an offer from a bank, I can't remember which one any more, and she decided to leave. In a certain sense, again, on one hand, I hated to see her leave, because she was creative and she was very smart and she knew the retirement system extraordinarily well. On the other hand, it provided me an opportunity to move forward with my plans to consolidate the two offices into HR and benefits that would cover the full spectrum, without having opposition from one of the key players, because I knew I would have that. In a certain sense, it would have been somewhat redundant, because Carole was a fairly high-paid manager, to bring in somebody between me and her, over top of her, in benefits. I mean, that would have been an expensive way to go, and I really didn't want to do that. So it presented an opportunity. And in fact, we did, after Carole left, we did consolidate. I appointed someone as acting in the retirement arena, and then we did put a plan together to consolidate and opened it up for recruiting, and the person who was the HR director, assistant vice president for human resources, was a candidate. She was not the successful candidate, but she was a candidate for the associate vice president for human resources and benefits.

11-00:26:13

Lage: Who became—is it Judith—?

11-00:26:15

Kennedy: Judy Boyette, yes. And we were very fortunate to have recruited Judy, because she worked for Pacific Bell. She's an attorney by training but had spent most of her time at Pac Bell in the HR arena, and again, she's a very smart, well-seasoned individual. This was the time when Pac Bell had been bought out by SBC, and they closed their Bay Area headquarters, and Judy basically had a choice of moving, I think it was to Dallas or Houston, I can't remember which one, but someplace in Texas, or finding another job. And fortunately the planets were aligned correctly. She was a very strong candidate. We had two or three good candidates. I think Judy was clearly a cut above everyone else. She was willing to come at a salary reduction from what she was getting at SBC, because she desired to stay in the Bay Area. She had a son, young son, and she didn't want to move. So that was really quite lucky.

11-00:27:26

Lage: So did she bring a new philosophy, or make major changes in the way HR works?

11-00:27:31

Kennedy: Well, I think what Judy brought was good experience from the business sector. And again, as we've spent a lot of time talking about, one of the things I wanted to do was to bring private sector practices into the university. Pat Reed in audit, Anne Broome in the financial management arena, both coming from the private sector, and now a third

person in Judy. Not to suddenly change everything and try to turn the university into a Pac Bell or anything, but to try to adopt some of the good practices that were used in business, to become more streamlined, to take more advantage of technology, and to become more efficient. I think Judy struggled, as we all do, when we take over an operation that's been around for a very long time, and try to remold it into something. I think she struggled. You have to evaluate people, and you've got to reorganize and change the culture, and it took her a while to do that, but I think—she's still here, and I think succeeding, and I think at least by my eye, most people feel that Judy does a very good job.

11-00:28:45

Lage: It's hard to change a culture.

11-00:28:47

Kennedy: You bet it is. It's very evolutionary in the university. The university is extraordinarily slow to change.

11-00:28:57

Lage: I'm still struggling with how the changes that you made in the president's office worked their way down to the campuses, which were such—fairly independent. How did that—

11-00:29:10

Kennedy: Well, what we tried to do—I mean, one is you don't dictate much in a university, as you are well aware. It's more to try and convince people, whether it be faculty or vice chancellors or chancellors, that this is the right thing to do, that it is going to have a benefit for their activity or their campus or their function or what have you, and also to set an example. So systemwide, the president's office was always criticized as being a bureaucracy, and more people than they needed, and inefficient, and all these things. I was one of the critics when I was at the campus level. And I'm sure that's still—there are still a lot of critics out there. But what we tried to do was to set some examples and to say, Here's a way of doing things that can improve your campus or your systems, and this came at a time when everybody was struggling with the budget. As we all know, when the budget crunch comes, the nonacademic aspect of the university is the first to get hit, and when the money starts to flow again, the administrative unit is the last to get the rewards. So you're always struggling with how to get your job done, spread your resources further and further, because you know you're not going to get a lot of additional resources. If you have a sustained period of really good times, there might be some money that comes to the nonacademic side of the institution, but not a lot. So you have to get efficient, you have to get creative, and try to make the most of the resources at hand.

But I think you do that by, from the president's office point of view, by setting examples. The Partnership for Performance was one of those things where we I think demonstrated new business practices that could be helpful and then tried to shop those down to the campuses. That's why I had a full-time person in the president's office in a sense selling those kinds of things on a regular basis.

11-00:31:22

Lage: What would have been the HR—

11-00:31:27

Kennedy:

Well, I mean, we tried to streamline the titling and job classification system, which had become very, very cumbersome and archaic, and probably still is, but I think we did make some progress. I mean, we had thousands of job titles, and a lot of that was ways in which people got clever in order to get somebody a raise, you'd create a slightly different job, a new description and a new title, and then try to bring it in at a higher level, and then put the same person in that job. So we really did try to streamline that, and I think we had some success in doing that. These things creep, though. You can make a sea change today, and tomorrow people will immediately start figuring out how to game the system.

11-00:32:24

Lage:

[laughs] That's so true.

11-00:32:23

Kennedy:

And so over time, these things break down. And there's no system that you can create that a smart faculty and a smart set of administrators won't figure out how to get around.

11-00:32:38

Lage:

So maybe you need constant reform.

11-00:32:40

Kennedy:

Well, I don't know about constant, but I think periodically you have to go back and evaluate what you're doing in areas like HR and make sure that it makes sense. We mentioned a session ago or two that I had this idea of a merit-based program, which has not been very popular in the university. I'm not even sure it's still in place, but we did set aside some money for that. Another way to provide incentives for people beyond just getting a raise every year because there's a cost-of-living type of an increase.

11-00:33:10

Lage:

So that was something you could do from the president's office.

11-00:33:13

Kennedy:

Well, we withheld the money, and we restricted the use of the money for a merit-based program. All the money from the state, all the state and indirect cost monies and so forth, accrue to the president's office, and then they're reallocated down to the campuses. It's gotten, as I think we mentioned, on a more formula basis in recent times, but there's still some ways in which you can withhold some of that money and allocate it for specific things. And the merit-based program was one of the things that we did.

11-00:33:49

Lage:

Was that hard to—I would assume you'd have to have a lot of discussion sort of at the cabinet level in the president's office.

11-00:33:54

Kennedy:

We did, we did in the president's office, and we did with the chancellors, and I think I would have to say that in the main, the chancellors were not in favor of it. They viewed it as taking flexibility away from them, and I used the term "unfunded mandate" in a couple of our sessions, and I think they kind of viewed it that way. But I felt very strongly it was something we needed to try; whether it would work or not, I couldn't predict. But because there's a lot of literature out there that says it's a powerful tool. There's also literature out there that says it doesn't work, but I was swayed by the

literature that said it was a powerful tool. So we set, I think it was eight tenths of a percent of the salary increase pool set aside for merit-based. The money was allocated to the campuses, but with restrictions on how it could be utilized. Some campuses took it seriously. I think San Diego did, and did a good job with it. I think other campuses basically just passed the money out in some fashion. It's very hard to monitor these things unless you really want to get into some exotic audit program or something, so you really trust the judgment of the campuses, and I think again, in the main, I don't think this worked very well.

11-00:35:15

Lage:

Okay, here's another question based on personal experience. The incredible slowness, particularly on the academic side, I think, of the hiring process. Is that on all campuses, or just on the Berkeley campus?

11-00:35:39

Kennedy:

No, my experience on the faculty side is really limited to San Diego, and I know a fair amount about the system there. At least, I did ten or so years ago. I doubt if it's much different. But there are all these procedures that one has to go through that starts at the department level, where there's some kind of an evaluation, and letters written, and outside letters if it's a promotion; if it's a step I guess they're mostly internal letters, and then it goes through various layers. Maybe if there's a dean involved, it goes through a dean review, and eventually it gets to the committee on academic personnel, CAP, and it has to go through the vice chancellor for academic affairs, and—I mean, I know in San Diego, the medical school has its own CAP in addition to the campus CAP, and so you had two CAPs to go through. The same thing at the Scripps Institution of Oceanography, they have a CAP of their own, in a sense screening, and then there's another CAP they have to go through. So it's just a very difficult process.

And the same thing with new appointments. You bring somebody in, particularly if it's at a higher level, a tenured position, it has to go through all of these hoops, and there are ad hoc committees set up to review the—

11-00:37:06

Lage:

So it's not in the HR department that this—

11-00:37:09

Kennedy:

No, well, that's all done in academic affairs area at the campuses. I know in San Diego, the senior vice chancellor for academic affairs, I guess which now they call the executive vice chancellor, I'm not sure, but it's the academic affairs, they usually have an office people who deal, work with the faculty senate and the CAP committees with these letters and making sure that all the forms are followed and all the refereed letters are there, and it's just very cumbersome.

11-00:37:43

Lage:

But that wouldn't have been something that you could have streamlined?

11-00:37:45

Kennedy:

No, I wouldn't have. I know better than that. [laughter]

But on the staff side—and I mean, we have certain things you have to go through on the staff side, too. One of the interesting things that we put in place, and I don't remember

exactly when, was background checks for staff, which was something that campuses didn't do. There were some real horror stories of hiring people that had criminal records and so forth, into responsible and sometimes positions where they had control over funds or procurement or what have you.

11-00:38:24

Lage:

So just for particular positions, you had the background checks?

11-00:38:26

Kennedy:

Well, initially we did, but then we sort of broadened it to a lot of positions. And I'll give you an example: when I was vice chancellor at San Diego, I was recruiting a new director of information technology, and thought I had a really terrific candidate, until I did a background check and found out that he had had some really bad things, sort of criminal-type things, in his past. And here was somebody that would be controlling information technology, have access to all of our data and so forth. If I wouldn't have done a background check, I may have hired that individual and never have known it.

The best example recently is on the faculty side, with a faculty member at San Diego—I'm blocking out on his name—but he was nominated to be the poet laureate of the State of California, and the state did a background check and found out he didn't have a bachelor's degree.

11-00:39:28

Lage:

Oh my. And he was a professor at—?

11-00:39:31

Kennedy:

Well, he was a professor, he was a poet and he was a professor. He did not have a master's or Ph.D. degree, but that was known, but he did lay claim to a bachelor's degree, which in fact he didn't have. So the campus was faced with a tenured faculty member who didn't—who had basically given misinformation in his application for a faculty position. He resigned, that was the bottom line. But there's an example of maybe why you should do background checks.

11-00:40:06

Lage:

So was that something you encouraged campuses to do?

11-00:40:08

Kennedy:

Yes. Actually, we require it, but I'm not sure they all do it. Again, you can't audit every position, but—

11-00:40:16

Lage:

Is that something that's done through an outside—

11-00:40:18

Kennedy:

Yes, there are firms that do that, and it's nothing exotic, and it's very inexpensive. It's basically, if somebody says they have a college degree, checking. They go on, I'm sure in some computer base, to find out if there's any criminal record. I mean, it's really a very simple—it's just verifying what people say on their application, primarily. It's a very simple process, and it costs a lot less than making a mistake. And just something that a prudent business would do that, and the university should do it.

11-00:40:57

Lage:

Right. Let's see, I'm just looking at some of these other issues we've noted here. Is there more to say about dealing with the rising cost of health benefits?

11-00:41:05

Kennedy:

Well, that was and continues to be a major issue for the university, and for all employers, because health care costs for a while had plateaued, and allowed a little bit of catch-up, and now they've started to go up again and are climbing fairly rapidly. The dilemma is, how do you pay for that, and what's a fair share for the employee to pay versus the employer? I mean, this is the genesis of the supermarket strike right now. The unions are saying, "We've never paid for health care before. That was something that was provided by our employer, and now they want us to pay part of it." That just means we're just going—it's going to keep increasing, and they've kind of drawn their line in the sand.

For the university, it's trying to actually go beyond that, to provide a breadth of program, because we have different health care plans, all the way from HMOs to, we talked about point of service, we still offer the indemnity program. We actually have health care plans that are available in some locations and not others. We have a separate one for the people at the Los Alamos Lab, for example, in New Mexico, and even within California, there are some variations on the theme, based on the geographic location. So to try and provide a breadth of plans at a cost that is affordable for both the university and for the employee. So you do that by bidding your plans out periodically. We change, we went from Aetna to Blue Cross not too long ago for our point of service plan, because Blue Cross gave us a better bid. You try to tune your plans up in terms of what you offer, and co-pays, and how much people have to pay for drugs and so forth, to try and make it competitive, and again, still provide that breadth.

I guess where I think we ought to be thinking about heading, and I raised this when I was vice president, I raised it with Larry Hershman, who is the budget person for the university, about going to what I call a cafeteria plan, where each employee has a credit each year for so many dollars for benefits, for health or dental or eye or whatever, with a choice of a whole bunch of things, and it's up to the employee to decide how they want to utilize those dollars. Whether they want the most expensive health plan and not have a dental plan, or whether they want a dental plan and an HMO health plan, how much they want to pay versus how much the university pays. It would take sort of all of the uncertainty out of it, and it would just be a lump sum available for every faculty and staff member each year, to be deployed as they see fit.

11-00:44:02

Lage:

And would it be different if the faculty or staff was a family? People with families get a much higher level of benefits.

11-00:44:12

Kennedy:

Well, that's something that you'd have to work through, and I would assume the answer would be yes. If you were a single individual, it might be X dollars, and if you were a married individual, it might be X plus Y, and if you were married with two kids, it might be X plus Y plus Z. That's something that would have to be worked out. I don't—at least I don't know of any serious movement in that direction right now, although I think it's something that ought to be explored, because again, it would give the university a

surety every year as to what their costs were going to be. I mean, you know your employee profiles. Now, in a sense, every November you guess a little bit, because people move around. People decide, I don't want to be in HealthNet any more, I'm going to move over to Blue Cross, or, I'm going to do something different, and so there's a little bit of uncertainty there.

11-00:45:09

Lage: So that affects—but I thought when you move to another plan, you pay—

11-00:45:15

Kennedy: Well, it's a matter of how much money. But the university might have to pay more.

11-00:45:17

Lage: They may have to pay more also?

11-00:45:18

Kennedy: Or less. It depends on—they're not all even. They're not all even.

11-00:45:22

Lage: So some cost the university more, they just don't cost the individual more.

11-00:45:26

Kennedy: Right. Well, the individual, if you're in an HMO, it might cost you nothing; if you're in a point of service, like I think I pay about \$56 a month; if I were in an indemnity program, I'd be paying \$1,800 a month. So the employee has some choice about what they do. But I just think for the university to say, "Here's the money, you decide," gives the employee the ultimate flexibility. For some people, if I have a wife who has a dental plan, I don't need Delta Dental. And I have no choice there, for example. Delta is free, doesn't cost you anything, but if you don't need it, you don't get \$56 back or whatever they pay per month for you and your husband. So to me, it gives the employees—and since in today's world, many, many employees and faculty have working spouses, that may work someplace else other than the University of California, and I know my wife worked. She had health and dental and eye benefits through her employer, and I had them at the university. In a sense, it was duplicative. And we got no benefit from that.

11-00:46:35

Lage: So you could use your wife's benefits and take the money?

11-00:46:37

Kennedy: No, I couldn't.

11-00:46:38

Lage: No, but I mean, in your plan? Your "cafeteria-style?"

11-00:46:42

Kennedy: No, you couldn't take the money. You could not take the money. It's kind of like putting money in these tax-deferred or tax-sheltered—I can't remember what they call them any more—but where you can put \$100 a month away, and then you can draw that down to pay your health benefits. If at the end of the year, you don't use all the money, you lose it. So no, I think you'd have to spend the money, but it would give you the flexibility about how you were going to deploy the funds. If your wife doesn't have eye coverage,

then you could buy eye coverage; if she didn't have Delta Dental, you could buy dental coverage.

11-00:47:21

Lage:

Sounds interesting. More choices for us. [laughs]

Let's look at a controversial thing about benefits: the domestic partners issue.

11-00:47:31

Kennedy:

Okay.

11-00:47:31

Lage:

It sounds very intriguing, and how were you involved in it?

11-00:47:37

Kennedy:

Early on, when I became vice president, Jack Peltason was engaged in discussions with the gay, lesbian, and transsexual group.

11-00:47:57

Lage:

Is this an informal community—?

11-00:48:00

Kennedy:

Actually, I think they view themselves as formal, but I don't think it's an official university-recognized support group. But Jack, I think, was persuaded to meet with them through an individual from the Irvine campus that Jack Peltason knew when he was chancellor at Irvine. I don't remember that individual's name, but he was a key player in this group. So Jack was meeting with them discussing their issues, both health benefit issues and other issues. At some point shortly after I became vice president, I started attending those meetings with Jack and with some of the people from the benefits offices.

I think my reading of that group was that they really had two issues, I think. One was a genuine need for benefits, because some of them had domestic partners that either didn't have health insurance or didn't have adequate health insurance or whatever, and so that was something they strongly desired. And I think secondly, it was all part of recognizing their rights as individuals to have a domestic partner and be recognized as having a relationship like a married couple, regardless of policies and laws and so forth. They strongly desired that, and I certainly understand that.

So we met with them many times over the first few years, not every week or month, but two, three times during the year. They had good arguments, and they did their homework, and they were gathering data about other institutions that were beginning to recognize domestic partners, businesses, and so forth. And in my head, and I think in Jack Peltason's head, it wasn't that we didn't want to help them, it was, could we manage to get the regents and the state to go along with this without a major negative for the university? Political, financial, or otherwise. And in a sense, timing is everything, when you're dealing with a red-hot issue. So maybe we could be accused, I could be accused of being pretty conservative in terms of how to advance this, but my sense was that if we were to take it to the regents early on, that it would have never gotten very far. Maybe not even on the agenda, for all I know, even though it's the

president's agenda, if the chairman of the board or something objects enough, it may not go forward.

11-00:51:11

Lage:

And did you have private discussions with individual regents to sort of try to test support?

11-00:51:16

Kennedy:

We had some preliminary discussions to see where people were, and I don't remember the sequencing any more, but there were informational sessions for the regents, public sessions. And at some point, the individuals representing this group started coming during the public comment sessions and making a pitch, and getting information out. Again, at that time, because we had two Republican governors, and most of the regents were appointees of Republican governors and relatively conservative and I would say that most of the regents early on were not in favor of doing anything. That's just my judgment; I didn't take a poll or anything, but that's my judgment.

So again, it was a matter of, when is the best time to advance this, and what should be advanced? You could go all the way from recommending full-blown benefits—retirement, health care, dental, eye, the whole bit—or to kind of try to do something modest in order to establish the principle that we're going to provide benefits for domestic partners.

And there were a lot of interesting discussions with this group. There were a lot of interesting discussions with my staff, there were a lot of interesting discussions with the chancellors and campus representatives. There are a huge number of issues to deal with, some of them having to do with the legality of it, some of it having to do with equity—I mean, how do you provide some of these things for people that do not have a legal relationship, and how do you have some kind of assurance that people aren't going to game the system, because people find ways to game almost any system. But if you leave the door open too wide, you know people are going to take advantage of it in some way.

11-00:53:22

Lage:

Or do you provide to domestic partners who are opposite sex?

11-00:53:27

Kennedy:

Right, opposite and same-sex was another issue. If you provide them to opposite sex, they have an alternative, they can get married. Same-sex can't get married, and so what's the right thing to do?

11-00:53:41

Lage:

Was this support group, I think you called it, faculty-dominated or staff?

11-00:53:48

Kennedy:

It was a mixture, and from time to time, there may have been more faculty than staff, and other times, there may have been more staff than faculty. But they were clearly unified, and they all had the same goals and desires. They were very articulate, they were very nice, there was not—these were not confrontational meetings at all. And I think, quite frankly, I hope they sensed that certainly I was supportive of their point of view, but I was trying not to set them up for failure. Because if you took something like

that to the board and it was defeated, it would not be easy to go back for a long period of time.

11-00:54:28

Lage:

And you would explain this.

11-00:54:31

Kennedy:

Yes. But these are all judgment calls. There's no way to know until you go. We had legal counsel involved, Jim Holst and his staff, people from the benefits retirement. I mean, one of the interesting discussions was about retirement. In fact, anyone who is a member of the retirement system can designate anyone they want as their contingent beneficiary. It doesn't have to be a relative or a spouse. If you have a spouse, your spouse has certain legal rights, as your spousal beneficiary, but you can designate someone else as your contingent. In fact, I did that; I designated my daughter as my contingent beneficiary. If I die first, my wife gets her spousal benefits and my daughter gets the contingent benefits. I did that with my wife's agreement, but if I were single, I could name your or anyone, pick somebody off the street and name them my contingent beneficiary, and when I died, they would have access to whatever the retirement system says a contingent beneficiary gets.

So I was less interested, I guess is the word, or concerned about the retirement side as I was about the health care side, because if you have a domestic partner and that domestic partner doesn't work, or doesn't have access to health care, you can't, except by spending a lot of money, provide health care benefits for that individual. So my focus was on the health care side, as the way to advance something that hopefully would be accepted and begin to provide benefits for domestic partners. And it took years, and a lot of Regental discussion, a lot of information items to—I was on point. I gave most of the presentations to the board. Whenever we gave a presentation, there would be five or so speakers, some of them faculty, some of them staff, who would give their views, give information about other plans, give teary-eyed stories about their domestic partner who was ill and didn't have access to health care.

And I really think that made a big difference with a number of regents who initially and reactively were opposed to it, but I think over time, they sort of changed their mind as to listened to—they had open minds and they listened to it, and they changed their minds.

11-00:57:22

Lage:

It seems like Ward Connerly was one of the supporters of it.

11-00:57:25

Kennedy:

I believe Ward was, yes.

11-00:57:28

Lage:

I don't know why that necessarily would be a surprise, but—[laughs]

11-00:57:35

Kennedy:

I've known Ward for a decade, and I can't say that I know what's in his head. [laughter] But I believe he was supportive. And in the end, it really came down to the governor being very much opposed to it, Governor [Pete] Wilson, and he did come to the session in which this was going to be voted on, the—

11-00:58:04

Lage:

And this was in Atkinson's time.

11-00:58:05

Kennedy:

This was after Dick Atkinson became president. I remember the meeting; it was at UCLA. I will always remember it because it was quite a meeting. [laughs]

11-00:58:14

Lage:

Well, tell me about it.

11-00:58:16

Kennedy:

Well, you know, whenever you have an item where you think it's going to be a close vote, you kind of, in your head or on a piece of paper, do some nose-counting. And I knew it was going to be very close, but I wasn't able to really predict what the outcome was going to be. I knew that Governor Wilson was going to be there, and I knew that he was going to be opposed to it, and I knew that there were several other regents who were opposed to it. And I knew there were some who supported it, just from their comments during discussions when we had information items previously. But again, I made the presentation and gave the background and laid out what was going to be offered, if it were approved.

11-00:59:02

Lage:

And what the costs—

11-00:59:02

Kennedy:

And what the cost would be. And also, the day before or the night before, there was a little glitch, some legal little glitch, and we had to revise the item at the recommendation of Jim Holst. I don't specifically remember the issue any more, but that caused a little bit of a stir, whenever you change something at the last minute. But there was a long debate about it, and—

11-00:59:25

Lage:

What kinds of things were being argued? Was this cultural stances—?

11-00:59:27

Kennedy:

There were, I'd say, lots of different arguments, but the main thrust of the arguments—the governor's point of view was, it was illegal, and that if we did it, we were going to get sued, and the university would have to pay the consequences of those lawsuits.

11-00:59:44

Lage:

Even though a lot of companies and other universities did it?

11-00:59:46

Kennedy:

Right. Yes. He felt that, under California law, it was illegal. He's a lawyer and I'm not, so I don't know. Our attorneys didn't think so. And then, it was the moral issue. Is this the right thing to do to recognize domestic partners? You know, the sanctity of marriage—those kinds of arguments.

11-01:00:09

Lage:

So there were a set of regents—

11-01:00:10

Kennedy:

So it was the moral arguments and the legal arguments, I think—and probably emotional kinds of—

11-01:00:14

Lage:

What about financial? Did anybody say the system can't afford it?

11-01:00:17

Kennedy:

You know, I don't think the money was really that big of an issue, and as I recall, it wasn't a huge amount of money. We did an analysis that said if so many people—here's the experience of other institutions.

11-01:00:32

Lage:

I see, because you didn't really know how many would show up.

11-01:00:33

Kennedy:

We couldn't know, but here's the experience of other institutions. It's offered at University A, and 3 percent of their people took it; and it's offered by this company, and 6 percent of their people took it. And then we tried to do an analysis, a little sensitivity analysis, that said if X percent take, it's going to cost this much; and if Y percent, it's going to cost this much. We don't think it will ever cost more than this or less than this, but someplace in the middle. And I don't remember the dollars; I could go dig it out of the file someplace, but I don't think that was the issue. I think it was the moral issue, sanctity of marriage, and whether or not it was going to pass muster legally.

And at some point prior to taking this to the regents, there was another element to this that was kind of interesting, and that is that the San Francisco City Council passed a resolution that said any contractor with the City of San Francisco had to offer domestic partner benefits. You may remember reading the paper, some of the airlines that were based at SFO [San Francisco International Airport] were pulling out because they didn't want—United, I think there was a big squabble with United Airlines about offering domestic benefits, because they had a base in San Francisco.

Well, it so happens the University of California has a contract with the City of San Francisco through UCSF for running San Francisco General Hospital, and it was right around the time the contract was coming up for negotiation. It wasn't only an issue of, "Well, suppose we offer some benefits versus all benefits; what's going to satisfy the San Francisco ordinance?" Is it everything from health care to retirement, or if we just offer health care, is that going to satisfy them? And as I recall, again, there was a lot of rhetoric coming out of San Francisco, "If the university doesn't do this, we're going to sever the contract," and we always say, I don't think they're going to do that, because they need us as bad as we need them, in terms of the access of San Francisco General for our residents and medical students, but we ran it for many, many years, and I don't think they were anxious to see us go away.

But somehow, all of that over time kind of got resolved, and I think once it was clear that we were going to offer at least health care benefits, or at least try to offer health care benefits, it kind of went off the radar screen, and it just kind of went into the woodwork and you didn't hear much about it again.

11-01:03:13

Lage: What other benefits did they want you to offer?

11-01:03:16

Kennedy: Well, they just said, Whatever benefits you offer—

11-01:03:18

Lage: To anybody.

11-01:03:19

Kennedy: —to any of your married employees, you have to offer to domestic partners. So that would include, for us, medical, eye, dental, and retirement, and we weren't about to do retirement, because that would have been very expensive, and also, as I say, we thought there was an alternative, and also felt—

11-01:03:42

Lage: Why would retirement have been very expensive?

11-01:03:44

Kennedy: Because you—

11-01:03:47

Lage: You get the spousal?

11-01:03:47

Kennedy: They would get the spousal coverage, but when—retirement liabilities are based on actuarial studies, and there are assumptions that say, when you hire someone, their expectancy as an employee is going to be X number of years, and over that period of time, the university is going to accrue this huge liability for retirement for that individual. So it's not just this year or next year; it goes way into the future based on expectations. When you come in, if you're age thirty, the expectation might be that you're going to on average work twenty-five years for the University of California, so there's this huge liability that gets accrued. So you add another spouse to that, and it becomes shocking numbers in the scheme of a \$50 billion retirement plan. The numbers are not huge, but in terms of the shock value, if it's \$100 million, that sounds like a lot of money. In a \$50 billion plan, it's not a huge amount of money.

And again, you have to go back to this idea that you wanted to establish these benefits, and if you made it too costly, you give people a reason to say no. I mean, a Regent who was trying to make up his mind, if it's going to be a few million dollars a year; but if it was going to add \$100 million liability to a retirement plan—I'm making up that number because I don't recall the specifics—they may say, "Well, we just can't afford that." Even though again it's a relatively small number in a big dollar volume retirement plan.

So the idea again was to try to put forward something modest that people could agree to on its merits as opposed to hanging dollar signs on it. So the health care—

11-01:05:38

Lage: So the spousal benefit may not be quite as good as the contingent benefit.

11-01:05:42  
Kennedy: I think the spousal benefit is actually probably a little better than the contingent benefit, and I think the group, the gay-lesbian-bisexual group, I think did some studies of that and showed that the benefits were slightly better, not dramatically better, slightly better.

11-01:05:59  
Lage: Did the group that came to you express satisfaction with what you—?

11-01:06:06  
Kennedy: I think in the end, yes, they I think came around to the point of view, and maybe because they had no choice. I mean, we weren't going to go forward with anything much more than health care benefits. That it was that or maybe nothing, or they'd have to launch some big political campaign or whatever, which they probably couldn't have won. But that we were genuine, this was our best judgment, and we were in a sense expert at dealing with our board and with the political fallout of this, and they weren't, although some of them had some strong opinions. But I think in the end, they were convinced that getting health care was, one, the highest priority, because that was the hardest thing to get, and retirement, because again they could at least provide almost as good benefits as spousal benefits. But secondly, it also made a statement that the University of California recognized domestic partners. I mean, that's a big statement.

11-01:07:01  
Lage: Yes, it really is.

11-01:07:02  
Kennedy: And so getting back to the day of the regents meeting, the governor was very eloquent in his pitch, that he felt that this was not appropriate from a legal point of view, and other regents made their pitches about the moral and the concerns that they had about the university approving it. It was a lengthy discussion. Again, the faculty and staff who made presentations, public comments, I think did an elegant job of putting forward their position. My job was just to give the background and the cost and what we were going to offer, and so forth, and I sat up at the table the whole time to answer a few questions, but I was not what I'd consider a serious player in the game.

But then, the irony of the whole thing is that when the vote was taken, it passed by one vote, and I don't remember the numbers any more, but it might have been thirteen to twelve with one abstention. And an abstention. The woman that abstained was Regent Montoya, Velma Montoya. I'm not sure why she abstained from voting, but the irony of it is, she was a Wilson appointee, and the governor was clearly upset that this had passed. If it had been a tie vote, then it would not have gone into effect, but because—

11-01:08:39  
Lage: So she was the key—

11-01:08:40  
Kennedy: She was the key.

11-01:08:42  
Lage: —not vote, but abstention.

11-01:08:43  
Kennedy: Abstention, right.

- 11-01:08:44  
Lage: And she was a Wilson appointee. Because the governor, it seems, expects his regents to fall into line on certain of these matters.
- 11-01:08:52  
Kennedy: I would guess, yes, although I think there were other Wilson appointees who voted for it. And I did have a brief conversation with the governor afterwards out in the hallway, and he was quite beside himself, is the only way to describe it, I think. [laughs] Because I think he felt very strongly this was not the right thing to do.
- 11-01:09:14  
Lage: Do you think, did he feel politically threatened, do you think? Was he thinking of his political fortunes, or was he thinking the best thing to do?
- 11-01:09:24  
Kennedy: I think he was opposed to it, certainly on legal grounds, I don't know about moral grounds. Once he decided to get into the fray, I don't think—
- 11-01:09:39  
Lage: It's a power play.
- 11-01:09:40  
Kennedy: He didn't want to lose.
- 11-01:09:43  
Lage: Well, it seems to me I read that initially, Atkinson was just going to do it as part of his powers as the president.
- 11-01:09:51  
Kennedy: Well, that was talked about at one time, but we talked about a lot of possibilities, but in the end, I think Dick was persuaded that that would not have been the right thing to do. And in fact, I think it would have been questionable as to whether the regents would have let him get away with that, I don't know. Clearly, when the governor got interested, that wasn't much of an option. I mean, if nobody was going to object to it and it was just something that you could do administratively, fine, probably could have done that. But because this had a long history of being debated, or at least discussed—I think debated is the wrong—discussed with the regents, and it had gotten enough publicity, I think it would have been a mistake to do that, and—
- 11-01:10:40  
Lage: Was it discussed seriously among the president's office?
- 11-01:10:42  
Kennedy: Well, I mean, I don't know what you mean by a serious discussion. It was discussed.
- 11-01:10:47  
Lage: I mean, was it a plan at one time? I think I read this in the paper, that it was a plan that Wilson scuttled.
- 11-01:10:53  
Kennedy: I mean, yes, it—it was an alternative, okay, to going to the board. Again, you count noses, and if you think you're going to lose, and you think it's really important, you

may want to look for some way to do it which in a sense would allow the regents to get off the hook. If the regents don't have to take a vote, and the president takes all the flak, sometimes that may be good. And you avoid a political showdown with the governor and so forth. But when—and this is me now talking, me talking—when an issue gets political legs like this one had, and you're hearing from Sacramento and you're reading about it in the newspaper, it's probably not a good idea to try to do it in a quiet way, because it would have been headline news. I can just see it: "President Atkinson Approves Domestic Partner Benefits," and then that puts the regents on the spot, because those that were opposed to it would, politically they'd have to say something.

11-01:11:56

Lage:

This isn't something that could have been done quietly.

11-01:11:58

Kennedy:

And then any regent can ask to have anything put on the agenda, and so you could see this being put on the agenda and then doing harm to the president and causing a little political brouhaha.

11-01:12:10

Lage:

Very interesting issue.

11-01:12:12

Kennedy:

There are no right answers to these things. I mean, there's no way to know what's exactly the right thing to do. In my head, the right thing to do was to take it forward; in other people's head, the right thing to do was to continue to put it off as long as we could. The hope was always that the state might change its stand. If the state ever did it, then it would be a slam-dunk. But the university, because it does have constitutional autonomy, can do this on its own, excepting potential political consequences of doing it. Cal State couldn't do it unless the state changed its policies. So the hope was that—and at one time, there was a bill in Sacramento during all of this to advance domestic partner benefits, and it never went anyplace. One of the things we kept telling the group was—the gay-lesbian-bisexual group—was that, the best of all worlds would be for the state to change their policies and then we could just do it. Then it would be easy. But it didn't happen.

11-01:13:17

Lage:

Not under Governor Wilson.

11-01:13:18

Kennedy:

And at one time, I think we asked them to sort of calm down to see what happened with the legislature. It was during one of the legislative sessions. I mean, this whole process was, my recollection, like three and a half or four years.

11-01:13:31

Lage:

It seems like, if it started with Peltason and ended in '97.

11-01:13:34

Kennedy:

Right. Yes, Jack stepped down in '95, so yes, it was about three and a half or four years of interesting activity. But it was—I think the right thing happened.

11-01:13:48

Lage:

And it didn't end up—were your judgments correct about the costs?

11-01:13:53  
Kennedy:

You know, I think actually it turned out to cost less than what we had anticipated. Which was good. I don't know if they're still tracking those costs or not, but I know in the first year, there were fewer people who signed up for it, and it cost less than we anticipated.

11-01:14:13  
Lage:

How did one qualify as a domestic partner? Was it stringent?

11-01:14:17  
Kennedy:

They had to sign an affidavit that was designed by general counsel, that said they had lived together a certain period of time, and I can't remember, had joint bank accounts—there were a set of conditions that were laid out. There are a lot of other issues in terms of benefits that are really interesting for which again there aren't always happy solutions or even good solutions. A lot of times, the issue of providing benefits to children that may or may not be the children of a faculty member or staff member. You know, they marry someone and—

[minidisc 12]

12-00:00:02  
Lage:

And now we're on with tape 12, and we cut off just a little bit, so we're going to recap, you were just making remarks about—

12-00:00:12  
Kennedy:

Well, we were talking about different aspects of providing benefits, and one that came to mind was, there are always exceptions to any policy that one puts in place. There are issues about, if a faculty member or staff member has custody of a child, versus his wife having custody, or if they get married and their new spouse has some responsibilities for a parent or a child, and what benefits are they entitled to. So there are so many anomalies in the system that you can't ever put a policy or set of procedures in place in which there aren't going to be exceptions, and then those always cause controversy. I think I said if you had a new policy tomorrow for benefits and a hundred people walked in, there would probably initially be five or six exceptions right off the bat, of things that you—

12-00:01:09  
Lage:

That would have to be resolved individually?

12-00:01:09  
Kennedy:

That you'd have to get resolved individually. And then once you've resolved those, they set a precedent for the future, because if another similar one comes along, then you have to be willing to provide the same benefits or not to a subsequent individual. So there is no way in which you could ever anticipate all of the circumstances that are going to present themselves in the arena of benefits. It's just the way it is, so you have to work your way through those.

12-00:01:38  
Lage:

Complicated. Okay, and then we're going to move to another controversial aspect, which was granting career status to long-term part-time workers.

12-00:01:49

Kennedy:

Right. And I think there, we were talking about the issue of most of the staff members who were involved in part-time work and not receiving benefits were people who worked on federal contracts and grants, and the example would be of a faculty member who has a \$50,000 National Science Foundation grant and needs to hire a technician, and for economic reasons decides to hire someone at less than half time so they don't have to pay benefits, and they save maybe 25 percent of salary which they can then use for equipment or supplies or whatever. Again, limited budget. But that grant gets renewed year after year after year, and here you have an employee who's working 49 percent time, not getting benefits, but suddenly becoming—not suddenly, but over time becomes a long-term employee of the university. That's the gist of the issue.

12-00:02:54

Lage:

The other thing that happened, I'll just put in because it happened a lot in the library, were the people who worked eleven months, or sometimes eleven months and twenty-nine days—

12-00:03:05

Kennedy:

And then were laid off for—

12-00:03:05

Lage:

And were laid off for two days and rehired.

12-00:03:07

Kennedy:

Right, rehired. Again, a way to get around permanent status and payment of benefits and the like.

12-00:03:15

Lage:

And so tell about where the impetus for change came from.

12-00:03:17

Kennedy:

Well, again, this is a long-term issue for the university. It's not something that just suddenly occurred. Over the years, we had tried to put some policies in place to correct this, and put mandates out to the campuses. But every policy, everything we put in place, eventually someone—they'd figure out ways to get around it, and I cited the example of Chancellor Young, who we pointed out to that UCLA was one of the worst offenders of this, and the chancellor put out a mandate to the campus that this practice was going to stop, but nothing really ever happened.

And after a while, I think this became—not think, this did become an issue with the unions, because employees complained to the unions. The unions complained to Sacramento, and so we started to get pressure from legislators about doing something about this. Again, all these things seemed to be easy to fix, but in fact, they're not, because they are complicated, and what constitutes long-term employment? What constitutes full-time versus part-time, and what constitutes permanent versus temporary? But then there's also the economic issue, to suddenly provide benefits to a large group of people is very costly. The money has to come from someplace. For contract and grant recipients, faculty, it comes out of their grant. Their grant isn't going to get any larger because suddenly they have to start paying 25 percent of someone's salary for benefits, and so their point of view is, "Well, if you do this, it's going to

impede my research, I'm going to have less money to carry out my project." It's already a tight budget, and so forth.

For the university on the state funds side, suddenly the cost of benefits goes up, and that money has to come from someplace, because the state budget isn't going to grow any more. Or whatever the fund source is. For our medical centers, suddenly the benefit costs go up, but there's no additional income to pay for it. So it has to be thought out carefully, and you want to do the right thing, you want to provide what people are entitled to, but one also has to look at the economic impact and implement in a way that hopefully mitigates that to a certain extent.

But this did become a political issue, and when the legislators started hearing about it, the weapon that's always available in Sacramento is the university's budget, and so they start threatening, they're going to reduce your budget, or they're going to withhold as much money as you're not deploying for benefits or whatever—

12-00:06:10

Lage:

Were there particular legislators who got involved in this?

12-00:06:12

Kennedy:

I don't remember too many—I don't remember any of the names, because I was not personally on the front line in Sacramento. That would have been Larry Hershman or Steve Arditti or Bruce Darling, and prior to him, Bill Baker, dealing with the legislators, and then coming back and saying, "We're getting severely criticized and beat up over this issue." And I know President Atkinson on occasion in visiting Sacramento was confronted with this issue, and I think I cited the example of, I think it was the first vice president's meeting that my successor attended in which Dick Atkinson had just come back from Sacramento and was confronting me about why I had never done anything about this issue, and I was trying to explain to him that we had tried to put the right policies in place, but every time we did, the faculty and the campuses would find some way to circumvent the policies, and that we had to come up with a method that would assure that the system couldn't be gamed. So I guess this length of service concept is what they came up with eventually. That was after I left, when that was resolved.

12-00:07:23

Lage:

I see, so you didn't work out that final policy.

12-00:07:25

Kennedy:

I did not, no.

12-00:07:26

Lage:

The length of—was it 1,000 hours a year?

12-00:07:29

Kennedy:

Year, right. If you work 1,000 or more, then you're entitled to the benefits.

12-00:07:37

Lage:

The career status. And then they also retroactively granted—

- 12-00:07:42  
Kennedy: So that's a little less than half time. I guess there's how many hours in a year, forty times fifty-two—2,080 hours is a full fifty-two, forty hours a week.
- 12-00:07:55  
Lage: It can probably still be gamed, but not in quite the same way.
- 12-00:07:57  
Kennedy: Well, you can work somebody 999 hours and lay them off, I guess, but hopefully, that's not going to occur. But again, for someone who has a small grant and has a couple of part-time, maybe a part-time technician and a part-time secretary, that's a significant increase in cost for them. I think the employees are entitled to it, but you have to reconcile the issue of the cost.
- I think particularly for people that were part of the university family for long periods of time, I mean years—you know, if somebody came and worked one year at 49 percent time and then maybe went off and did something else for another employer, I didn't have that much sympathy. But somebody that, say, was a 49 percent employee for five years or six years or ten years and wasn't getting any benefits, I thought that was not fair, because they should have health care and retirement and other things, just like a full-time employee. So hopefully the system has been corrected. But someone will figure out how to beat it.
- 12-00:09:12  
Lage: Would this be something that the faculty would bring up through the Academic Council, is, "We don't want to see this happen, or—?"
- 12-00:09:18  
Kennedy: You know, I don't think so—I don't remember, maybe it was discussed—I can't remember having discussed it in Academic Council. Perhaps. But I think probably not. I think that most of the faculty would have just as soon kept it quiet, because they didn't want to have an issue that, where clearly they were on sort of the wrong side of the argument. So I can remember talking to individual faculty members about it, but I don't recall it coming up at an Academic Council meeting.
- 12-00:09:50  
Lage: Would it have happened, these changes, if it hadn't been for the legislature? I would assume certain key legislators who really put the pressure on.
- 12-00:10:01  
Kennedy: Well, that's hard to say. I think there was a desire on the part of the president's office and the chancellors to do something about it. I think eventually it may have gotten resolved.
- 12-00:10:20  
Lage: It didn't have to go to the regents, I'm assuming, or did it?
- 12-00:10:22  
Kennedy: I suspect it did go, because it would be a benefits change. At least as an information item. I don't know whether they would have had to vote on it or not, but it must have gone as an information item. But we may have come out with a different solution or whatever, but I think eventually, it would have gotten corrected somehow.

12-00:10:43

Lage:

Okay. Shall we turn to labor relations and collective bargaining?

12-00:10:48

Kennedy:

Can we take a break?

12-00:10:49

Lage:

Do you want a break?

12-00:10:50

Kennedy:

Yes. [tape interruption]

12-00:10:56

Lage:

Okay, we're back on. We took a break as I was just trying to move us along to collective bargaining, labor relations. What were the issues during your tenure in those fields?

12-00:11:12

Kennedy:

Well, in a general sense, the early nineties into the current time period, the activity by unions in terms of trying to organize public sector employees I think picked up enormously. I assume that unions had focused on public sector employees because they'd lost members in the private sector, either because of loss of jobs, with a lot of union-type jobs going overseas, members decertifying, and as I remember the statistics, in the mid-nineties there was a reduction in private sector union membership and an increase in public employees union membership. So the University of California, as a large public sector employer, I think was an obvious and logical target for union activity. And of course, our employees have had the right to unionize since the seventies, with the Higher Education Employee/Employers Relation Act. Some of our employees in fact were and have been organized for a long time. We've had union contracts for a long time.

But there was a certain intensity, magnified by the fact that in the early nineties, there were the severe budget reductions. There were no salary increases and the like, and while we avoided laying large numbers of people off through the early retirement programs, there were some layoffs. So I think it's again sort of logical for people to consider having someone other than themselves represent their interest in terms of trying to get additional salary or benefits or recognition, and so they turned to the unions.

I've worked in the University of California for a long time, and I had union employees who worked for me when I was at San Diego, and I certainly had no objections to collective bargaining or to the unions. The area that I guess disturbed me the most was that when we tried to collective bargain and do our bargaining across the table, many times, if the unions couldn't get what they desired, they would go the political route. Since they contribute to legislators and chief executives and other elected officials' salaries and the university doesn't, because we're not allowed to, to a certain degree I think we're at a disadvantage. If I'm a legislator and Union A has contributed heavily, or the members have contributed heavily to my campaign coffers, I'm going to listen when they come up and talk to me about how they're being treated by the University of California, or what their wish list is in terms of employees at the University of California, and then I may in turn try to put pressure on the university to grant the union what it wants. That to me is not collective bargaining; that's political bargaining.

12-00:14:52

Lage:

Right. And do the legislatures hold the budget over the head of the university?

12-00:14:58

Kennedy:

Yes, they do. Some day when you do Larry Hershman's oral history, he would be the best person in the whole world to tell you about dealing day to day in Sacramento with the budget, but because the university again has autonomy and is not like a state agency, it can do a lot of things that a state agency couldn't do, but we still rely on the State of California, the legislature and the executive branch, for a substantial part of our budget. Not the majority of our budget any more, but a substantial part. So that is the big cannon that always can be fired in Sacramento with the university.

And again, I was not the prime person that negotiated budgets, or not hardly ever negotiated budgets in Sacramento. It was more Mr. Hershman and Mr. Arditti and Bill Baker and now Bruce Darling, and the presidents spent their time up there. But I know from discussions that frequently union demands were issues that were part of budget discussions in Sacramento. And that places a very hard burden on the people that have to do the negotiating. The people that worked in our HR office, a woman by the name of Gayle Cieszkiewicz was our primary collective bargaining person—don't ask me to spell her name, although I can look it up for you—

12-00:16:34

Lage:

I'll look it up.

12-00:16:35

Kennedy:

Actually, I have it in my Palm, so I can get it for you. But Gayle was a professional, and I think respected by the union bargainers. Certainly she was respected by the campuses and by the chancellors and the president. But if you are trying to bargain in good faith and then you're finding out, or having pressure put on you by the university because they're getting pressure put on them by legislators in Sacramento, it just makes it a very difficult task. I have great sympathy for our people who had to bargain for days, hours, months, years, and have that sort of hanging over their head all the time. It's a very difficult situation.

12-00:17:31

Lage:

Yes, that is interesting. But at the same time, the legislators are the ones that provide the budget. Were they willing to increase the budget to pay people better?

12-00:17:41

Kennedy:

No. I mean, I don't—I mean, the budget is the budget, and I don't recall any moment in my eight years, seven and a half years, in the president's office where budgets were increased in order to provide additional monies because of collective bargaining. There were times when we made strong arguments about the need for additional salary money for faculty and staff, because we were way behind because of budget difficulties in the early nineties, where we were way behind in comparison with our comparison eight institutions, or with major employers for certain types of people. I can remember times when we got a few extra dollars in the information technology area because we were totally noncompetitive with Silicon Valley. We couldn't hire anybody in IT because they were paying such big salaries. And there was some sympathy on the part of the legislature, and good persuasion on the part of people like Larry Hershman, to get a few extra dollars to augment salaries in IT. But I don't recall any specific dollars coming

down as a result of union activity. But I'd have to ask Larry to be certain about that. It was just an extra sort of pressure point that we had to deal with.

The one that I think was the most difficult to deal with were the TAs. There was a very strong sentiment on the part of the campuses and the chancellors that TAs are students first and employees second, and that their employment is part of their educational experience, and therefore, that they should not be part of the collective bargaining arena. That it was in fact potentially going to cause problems in terms of the mentor-student relationship and the like. And I think there was great unanimity on this in the university, in an area in which the faculty and the administration were very closely aligned. But—

12-00:20:13

Lage:

And the TAs were looking for recognition as a union?

12-00:20:17

Kennedy:

Well, I think the TAs were looking for a way to improve their salaries, and the unions were looking for more members, and there were ultimately elections, and ultimately the students decided they did want to be represented by the United Auto Workers in this particular case. At one point, I think we sort of—where we had held the line and were prepared to potentially even perhaps take legal remedies and so forth, there were threats they were going to change the law to make it more clear that TAs could collective bargain. Because if you read the law literally, I think you would come to the conclusion that they were excepted from collective bargaining.

12-00:21:15

Lage:

The law?

12-00:21:15

Kennedy:

The Higher Education Employee/Employer Relations Act. And we I think perhaps should have taken that step, but I think in the end, again, the university backed off a bit, because of the pressure in terms of legislative activity. I don't know all the specifics, because again, these are moments when I was beginning to step down and my successor was coming into office, and the actual negotiations with the TAs occurred after I left. I don't have a lot of detailed information. But I clearly remember long discussions with chancellors and others about really drawing the line in the sand on this one, because of a genuine belief that TAs were students, and that the only reason they were employed was part of their educational experience. And eventually—

12-00:22:18

Lage:

This was not just a device to try to save money for the teaching budget?

12-00:22:25

Kennedy:

No, I don't think so. I mean, in fact, I think TAs in the main were treated reasonably well in terms of their wages, although I'm sure they wouldn't agree. But from my vantage point, I think we were competitive in terms of paying TAs. But people always want more, obviously. People always, or most of us value what we do more than what other people do, so I think that's a natural occurrence.

But again, I think they were persuaded—and again, you've got to look at this in the context of the times. These were times in which budgets weren't great, and when we

started to climb out of the budget morass, there was great demand to hire additional faculty and provide additional salaries for faculty to catch up in everything, because we'd gotten so far behind. And we were growing. The student numbers started to grow, so there was great demand on budgets. And while I think we were fair with the TAs, I don't think we were extravagant in any way. I think again, making sure that we are competitive in hiring and retaining faculty has got to be the highest priority in the university if we're going to maintain our quality, and I think everybody, at least most people, agree with that. So that's always where the emphasis would go first.

12-00:23:48

Lage: Yes. And that's not only with the TAs but the staff feels that too, I'm sure.

12-00:23:54

Kennedy: Yes.

12-00:23:53

Lage: That the catch-up doesn't come on the staff side as quickly as—

12-00:23:57

Kennedy: It does not, and I think the staff are tolerant of that, to a certain extent. But then there comes a point when people look around, and they say, "Well, other employers are offering better wages than the University of California, and I have to look out for myself and my family, so I'm going to leave if I don't get a higher wage."

12-00:24:22

Lage: Or strike.

12-00:24:22

Kennedy: Or strike.

12-00:24:24

Lage: Has it ever come close to a strike on the staff side?

12-00:24:26

Kennedy: I don't think we've ever had a strike on—well, hospitals have had strikes on occasion. But on the regular staff side, I don't recall. There have been threats and so forth, but I don't recall in the University of California a staff strike. TAs have not gone to class and all that kind of thing, and boycotted for a day or—it happened here a couple of times in the nineties. But I don't recall the staff—I know they've picketed on occasion and so forth, but a real live strike I don't recall.

12-00:25:07

Lage: Now, does all of this take place at the president's office, collective bargaining with unions?

12-00:25:12

Kennedy: It's both systemwide and local, depending on the circumstances. But there is a lot of involvement of the president's office with the campus collective bargaining folks on a regular basis. Because again, we are a system, and if one campus yields on something, it's going to spread, and so there has to be a lot of coordination and agreement on what our stands are going to be on various issues.

12-00:25:39

Lage: But each campus does have their own contracts?

12-00:25:44

Kennedy: In some cases they do; in some cases they're systemwide contracts. It depends on the circumstances.

12-00:25:49

Lage: It's very complicated.

12-00:25:50

Kennedy: Yes, it is. The university is very complicated. As you're learning, if you didn't know it already.

12-00:25:55

Lage: Right. Is there more to say about unions, or labor relations?

12-00:26:02

Kennedy: No, I—

12-00:26:03

Lage: What about labor relation with nonunion employees, like the professional staff?

12-00:26:07

Kennedy: Well, there are the staff associations and the like that we listen to and have interaction with. We try to be competitive, and we do salary surveys and try to keep our benefits and wages to a point where we can attract and retain good employees. I must say that I've always been terribly impressed with the staff of the University of California, and I think most faculty would agree with that, that they really do provide excellent service to the faculty, to students, and the rest of the administrators in the university. One of the greatneses of the University of California is we have a wonderful group of staff people, and I mean that genuinely. I mean, I have a lot of friends on the faculty at San Diego, and they stand up for their staff. They want their staff to be happy, because whether they're a lab technician or providing administrative assistance or secretarial services or whatever, the faculty really rely on those individuals. One of the great difficulties in recent years has been because of the budget constraints, we've not been able to staff up as much as we'd like, and even on the federal side, a lot of the federal contracts and grants are restricted and tight with the dollars, and the faculty aren't always able to hire as many staff people as they would like.

One of the great problems is the federal government a number of years ago changed the rules in terms of certain costs, the allowability of certain costs through indirect costs, for certain kinds of support. So we're not able to recover a lot of those costs, so if you can't recover the cost, you can't provide the services in the first place. It's a double pinch, in a sense. State budgets start—

12-00:28:13

Lage: What would that affect?

12-00:28:14

Kennedy: Well, I mean, because a lot of the indirect cost recovery money goes back to provide for additional staff, support staff, and the like.

12-00:28:22

Lage:

Oh, I see, so that was reduced.

12-00:28:23

Kennedy:

And so if you can't recover additional funds because the formula is restricted, then you can't generate additional money, and you're not getting the money from the state, we're not getting it through indirect cost recovery, so there's a real squeeze in terms of having money available for staff.

12-00:28:43

Lage:

What was SPER? Is that important to talk about? I came across it on the web. Strategic Planning for Employee Relations. We don't have to discuss everything, so if it wasn't a big deal, just say.

12-00:28:54

Kennedy:

It was just an effort to be a little more, let's say, employee-friendly and to kind of understand better what the issues with the staff are, and to set up some mechanisms for staff. Again, you have to remember that this is a very large institution, now ten campuses, and the labs, and a lot of extension activities and the like. And to establish policies, to establish procedures, to establish benefits and salary structures that satisfy the various contingencies of the University of California is a difficult thing to do, and the more input you can get and the more you can understand what the issues are out there, the better off we are. So to try and understand strategically where you're heading with all of this is important, as opposed to in a sense reacting as things occur, and to have a longer-range view of where you want to go.

I think we may have mentioned in one of our sessions the idea that at some point, maybe the university needs to consider a different kind of retirement plan. That would be a strategic process. Is a defined contribution plan going to serve the university better in the future, as opposed to the current defined benefit program, which were words people who stay here for a long time in an economy and a time in university history when faculty members are more prone to work for more than one university, and staff are more prone to move around a bit more than they did in 1960 or so when the retirement plan was established.

12-00:30:50

Lage:

So with a defined contribution program, you can take that with you?

12-00:30:55

Kennedy:

It would be more portable. Here, if you stay thirty years in the University of California, you end up with about 70-plus percent of your salary; if you're here forty years, you get 100 percent of your salary. If you're here five years, you don't get much. But you might, if you're here five years and you've contributed to a defined contribution and it's matched by the university, and it then can accrue through investing and so forth, and it's more portable, you can take it with you, and so forth.

12-00:31:26

Lage:

So that might be a direction that—

- 12-00:31:28  
Kennedy: Perhaps. I just think strategically, the university needs to examine whether the way in which it plays out its benefits, the way in which it manages its employees is the right way for the future. So from a long term perspective, what's the strategic thing that we could do to make things better and make us more competitive in the future? That's all that was intended to try and do.
- 12-00:31:53  
Lage: Is it Judy Boyette?
- 12-00:31:55  
Kennedy: Yes.
- 12-00:31:55  
Lage: Is she the one that sort of initiated that?
- 12-00:31:58  
Kennedy: Yes.
- 12-00:31:59  
Lage: Okay, I guess one other thing that comes to mind having to do with resources: did the question of the salaries for top executives, was that controversial throughout? I mean—
- 12-00:32:14  
Kennedy: Yes, it's always controversial.
- 12-00:32:15  
Lage: —you kept having, while you're dealing with collective bargaining and benefits and career status for these sort of low-level people, you have these large salaries.
- 12-00:32:26  
Kennedy: Yes. It's always controversial, both with the staff and with the faculty. Again, the goal is to make sure that the University of California is competitive in recruiting senior-level managers, whether chancellors, vice chancellors, presidents, vice presidents, and the like. And others. And you do that by comparing your salaries with our comparison groups in particular, and the people that we compete with for the top talent. And then periodically, we have these moments in time, like the early nineties, where executive salaries didn't grow at all, or even were reduced there for a couple of years. We took salary reductions. And then I remember, when we came out of that, I think the first raise I got as a vice president, the average that we had to deal with was like 1 percent. Well, we had taken hits, and inflation continued, and salaries were being raised elsewhere, and we weren't being competitive.
- So periodically, you have to figure out ways in order to catch up, just as we've done with the faculty. After the budget crunch, we had some catch-up for the faculty, where in a few years, couple of years, I can remember providing extra money for the faculty above the cost of living and above what staff got and so forth as a catch-up. And you have to do that for your top managers. So once, I guess it was in '98, we worked very hard to get chancellors' salaries increased, to make them more competitive. That was controversial, because we were talking about substantial salary increases—

12-00:34:29

Lage:

Sometimes making them better paid than the governor.

12-00:34:31

Kennedy:

Well, I think a lot of people make more than the governor. Political salaries—I mean, when someone runs for office, they know what they're getting into, and they know what the rewards are financially. When you come to work for the University of California, the assumption is the university is going to be competitive with its peers. And if you're not, then people are going to think about either, A, not coming here, or B, going to a place where they are a little bit more competitive. Particularly since many of our locations are very high cost of living areas, and so periodically, you have to look at your salary structure and say you're either competitive or you're not, and if you're not, then you have to try and do something about it. And whenever you do that, you're going to get objectors on the part of the faculty, the staff, maybe legislators, and whatever. That just comes with the territory, and you just have to—.

But, we had good data, we got external, independent assessments, which we shared with the regents, and in the end, the regents did go along with raising the chancellors' and the president's salary. Kind of interesting, that year I remember, because there was a question about whether we should also include vice presidents, because we were behind just like everybody else, and I guess I was persuaded, to my own detriment, that politically it would be better not to do that, but stick with the chancellors and the president, which was really important, and we'll think about the vice presidents at another time.

12-00:36:14

Lage:

Now, you were persuaded—?

12-00:36:16

Kennedy:

Just, my judgment was politically—

12-00:36:19

Lage:

Not persuaded by someone else.

12-00:36:19

Kennedy:

No, because the evidence was there that vice presidents' salaries were just as far behind as chancellors and the president, but my feeling was that if you made it too big of a pool of people, that it was going to cause more concern, more political angst, if you like, than if you had it a smaller number. So we restricted it to the nine chancellors and the president, as I recall. And my theory was, Well, if you get that through, then the gap between the chancellors and the president and everybody else grows even more, and that gives you more justification in subsequent years. It's a dangerous game, because if you have a budget downturn, you're not going to have success in getting the rest of the salaries up, or then again, you're putting the focus on the vice presidents. So it's a—I mean, there's no right answer. It's a judgment call.

So we didn't do it, and then it wasn't until two years later that we were able to get the vice presidents' salaries up, and I mean, that actually had an impact on my retirement, because my three highest years salary included one year under the old structure. And then you go through the ranks. Then there are vice chancellors, and you have to try to

also look at the structure of the vice chancellor salaries and get them up to where they're competitive, so that there's not so much gap between various groups of people.

12-00:37:47

Lage:

And then that's I would think reaching down closer to the level where the faculty are looking at—on their own campuses a big disparity—

12-00:37:56

Kennedy:

Yes, except again, the faculty had bought into our comparative eight system, that our goal is to on average meet the eight competitors that have been selected, and as long as we do that, I think the faculty may fuss a little bit about the fact that the president makes whatever he makes, but they've bought into the system of faculty equity based on a comparative group. And therefore, they don't have a lot of argument. At least I don't think they do. So long as we're not paying the president a heck of a lot more than presidents at our comparison institutions.

12-00:38:37

Lage:

And then you had to make special exceptions, it seemed to me, for medical—hospital administrators and—

12-00:38:44

Kennedy:

Well, again, that's a competitive issue. You can't recruit a hospital director and pay them what you pay vice chancellors. Because you won't get anybody to come. Medical salaries for medical administrators have gone spiraling over the last couple of decades. Many administrators of top hospitals make a million dollars a year, so we have to be competitive with other academic medical centers in order to recruit people. It's just the way it is. The same thing with medical faculty. I mean, we have our medical practice plans where certain subspecialists, like a cardio-thoracic surgeon, may easily make five, six, seven hundred thousand dollars a year in the University of California, and you have to allow them to generate the revenue to pay those salaries if you're going to recruit the topnotch surgeons or radiologists or anesthesiologists or whatever to come to your medical schools. It's a competitive marketplace, you can't—

12-00:39:50

Lage:

Right. And this period we're talking about was the time when in general, executive salaries were going sky-high, outside the university.

12-00:39:56

Kennedy:

Yes. Right, that's correct.

Now, the irony, though, in recent times is the salaries for medical, for physicians, have been severely restricted because of restrictions on reimbursement by Medicare, Medi-Cal, and private insurers, and so a lot of our medical faculty actually make less money now than they used to, because that component of their salary that comes from their clinical practice has been suppressed because of external reimbursement. But again, it's all competitive and it all kind of ratchets up and down with the marketplace, and the marketplace is being depressed, so those salaries are being depressed.

12-00:40:42

Lage:

More complications.

Now, I think we're kind of finished with human resources and benefits. Should we have lunch, or do you want to take up one more topic?

12-00:40:50

Kennedy:

I think this would be a good time to take a break.

12-00:40:53

Lage:

I think so. Especially because I made—[tape interruption] Now we're going.

12-00:40:59

Kennedy:

Okay. This is sort of an afterthought having to do with human resources, particularly human resources. Throughout my career, this is an area in which I did not have a high level of interest.

12-00:41:12

Lage:

Oh, you sounded so—

12-00:41:14

Kennedy:

And when I was on the campus, it was an area that again, I didn't spend a lot of my time and effort in. I was interested in a lot of other things, but not HR. When I got to the president's office, HR and benefits is a big piece of the action. You can't ignore it, and you can't avoid dealing with it, particularly, and we've mentioned earlier, the personalities that I was dealing with and sort of the issues were systemwide and they were quite overwhelming. So I had to spend a lot of my time and effort in that area, reorganizing it, going out and hiring Judy Boyette and working with the campuses in trying to streamline things and the like. But I must say, as I think back about it, it's certainly not the thing that I would view as the most fun thing that I did as vice president, dealing with domestic partners and dealing with unions and dealing with people who were unhappy because they weren't getting the salaries they wanted and the like. But again, it sure came with the territory, and I sure did have to deal with it.

12-00:42:39

Lage:

Let me just ask you, with that in mind, what was the most fun part of what you did?

12-00:42:44

Kennedy:

Well, I would say, and we're going to get to this later, is that as I think back, I thought dealing with the DOE [Department of Energy] laboratories was really one of the most fascinating and interesting things I've ever done in my career. Maybe it's kind of last-in, last-out, because I spent a lot of my time at the very tail end of my tenure dealing with it. But it is a fascinating responsibility that the university has, and it's a very complicated arena, and it's one that I knew very little about when I came into the office, and probably still do, but it was something that—it was just a lot of fun, I met a lot of interesting people, and it dragged me into the national political scene in terms of having to deal with the Department of Energy and congressmen, and to a certain extent with the executive branch. It was kind of fun.

12-00:43:45

Lage:

Yes, and that will be a good story. We have to get to it. Okay, let's stop for now and have lunch.

[Interview 6—afternoon session: January 30, 2004]  
[minidisc 13]

13-00:00:08

Lage: We're going to call this session six. I like breaking them up, and we're still on January 30. We've moved down to the Bancroft Conference Room. I don't know if that's important for history, but—[laughter]

13-00:00:19

Kennedy: At least I know where I am.

13-00:00:22

Lage: Right. We're beginning the thirteenth tape of our undertaking here. It's not really a tape; minidisk.

Let's see. Our next topic, what shall it be? We have a lot of issues left on the table here. Facilities management is the next in the list. Do you want to—

13-00:00:44

Kennedy: That's fine, sure, we can—

13-00:00:45

Lage: That's another aspect of your job.

13-00:00:46

Kennedy: We can deal with that.

13-00:00:48

Lage: Okay, tell me what role you and the president's office had in facilities management.

13-00:00:54

Kennedy: The facilities program, which was largely new construction and renovation of university facilities, in which we had the oversight role, but the actual project management was carried out down at the campus level. But we also were the interface with the Board of Regents, who had to approve capital budgets and then ultimately the construction of facilities, including the design of facilities. So we had an office, a relatively small staff of people, made up of facilities experts and some people with some architectural training who tried to provide policy guidelines and oversight, make sure that the campuses were adhering to all of the requirements, health and safety requirements and environmental requirements and the like.

The capital program is fundamentally in two parts: one was the part supported by the state, which was mainly the I & R facilities, instruction and research facilities, driven by enrollments. So it would be classrooms, it would be academic facilities, a chemistry building, a history building, a social sciences building, whatever. And then the other part of the program were those things that were financed by the university.

Going back to the state for a second, most of the state capital program is financed by general obligation bonds, sometimes revenue bonds. Over the years, the university has gotten a part of educational bonds for its capital programs.

The other part of it was money that the university borrowed, either for things like dormitories, student facilities, student union buildings that are supported by revenue—fee revenue. We also did some projects supported from indirect costs, the so-called Garamendi projects.

13-00:03:12

Lage: Oh, we talked about that in relation to San Diego.

13-00:03:14

Kennedy: Right.

13-00:03:16

Lage: And that might be labs and the like?

13-00:03:17

Kennedy: Yes, mostly laboratory buildings, or buildings to support maybe computer research. But financed on the basis that if we had additional space, we could generate additional federal research dollars, and the recovery of the associated indirect costs could pay for the debt service and the operation of the facilities.

So there were both of these programs that were financed either by the state or by the university, and again we had primarily the oversight responsibilities. We reviewed with the campuses their capital construction programs; projects that were getting ready for review by the board we would review with the campuses. I had to approve the appointment of architects down at the campuses, make sure that the processes for selecting architects were within our policies of opening it up for fair competition.

13-00:04:21

Lage: But would you actually approve the selection, or reverse it if a different one was chosen?

13-00:04:29

Kennedy: I can't remember ever reversing one. I can remember being unhappy and asking them to renegotiate fees on some of them where I thought the fees that they had agreed with were too high, in comparison—we had some guidelines for fee payments. Because some architects that are in great demand charge higher fees than the university would like to pay.

13-00:04:59

Lage: But if you want to get first-rate architects—

13-00:05:02

Kennedy: Well, I think you can get first-rate architecture within the fee structure. And if you're ever going to go outside of it, there had to be a really good reason for doing it, or you just end up not having guidelines, because everybody would go for the high-profile architects.

13-00:05:19

Lage: How about the decision of what capital projects would go forward?

13-00:05:23

Kennedy:

That was done largely on the state side through Larry Hershman's office, justification on the basis of enrollments, when certain standards that had been worked out with the state in terms of square footage per whatever. We didn't get heavily involved in that. We participated, but it was mostly done by Larry's office.

On the non-state side, it was really driven more by the campuses, and we'd work with the campuses in two or three regards. One, is the project justified? Is it really needed? Secondly, is it sound financially? Can the campus pay back the cost, and if it were, say, a housing project, we'd want to look at enrollments and what rates they were proposing, financial feasibility, and a business plan for the project. And then all of these would roll up into the finances of the university, and while we didn't have responsibility for borrowing, we did have responsibility to make sure that when the treasurer went out to bond a project or projects, that there was a strong financial underpinning. So we reviewed them both from a physical point of view as well as a financial point of view. And there were issues: it was kind of interesting that for a period of time, designs went directly to the regents.

13-00:07:00

Lage:

Yes, during your—

13-00:07:00

Kennedy:

Yes. And the regents actually reviewed individual designs. That was always kind of interesting, because you go through this long process with the campus and the architects, and maybe a design review board at the campus level, and reviewed in my facilities office, and then we'd get it to the board, and somebody would say they don't like the color, or one regent, Leo Kolligian, didn't like flat roofs. So if you went up with a project with a flat roof, he would object to it just on principles.

So eventually, though, we got the board to agree that design of projects would be reviewed off-line, not as part of a regents' meeting, but in a separate session. Typically it would be the chairman of the grounds and buildings committee and maybe one other regent, and we'd set up a meeting prior to the regents' meeting, and we would present the design. If they had issues, we'd either postpone it or deal with them on the spot.

13-00:08:07

Lage:

Was this to streamline the meetings?

13-00:08:09

Kennedy:

This was to streamline the meetings, because it was taking too much time. And then when we prepared the items to go to the regents, we'd have just small 8 1/2 by 11 drawings, and they would work basically on the recommendation of the chairman of the grounds and buildings committee. Now I'm told that recently they've gotten more involved, and more regents are now participating in these design reviews, and I believe they're still being done outside of the regular regents' meeting, but it's gotten to be more of a to-do again.

13-00:08:44

Lage:

Everyone thinks he's an architect.

13-00:08:46

Kennedy:

Well, you know, we all do. I mean, I have my likes and dislikes when it comes to architecture. Regents voice their opinions, and when they do, we pay attention and try to reconcile them.

13-00:09:01

Lage:

I heard—this was from a faculty member who'd been involved with getting a building built for his department, and he said the watchword was—this was during Jerry Brown administration, I think—"It doesn't have to be cheap, it just has to look cheap."  
[laughter]

13-00:09:15

Kennedy:

Oh, I don't know whether that's true or not. I mean, I think there are some very nice buildings around the system that were built economically with good architecture, but not paying exorbitant fees. I think the regents at some points had feelings that we were trying to build all signature buildings, and that buildings were very expensive. We did a number of studies. In fact, right before I became senior vice president, there was a study done of the CSU and UC, comparing them with private sector construction, and actually, an old colleague of mine from the University of Maryland was part of that as a consultant. They came to the conclusion that the university was building buildings that did meet the test of being economical, and that yes, some of our buildings were more expensive, but that was because of the nature of the building—heavily equipped laboratory.

And the other part of it was that when we capitalized a project, meaning borrowed the money for a project, all of the costs of that project were part of that capitalization, including the planning, the architectural fees, the consulting engineers, and everything got rolled into the total cost, whereas some, if you looked at private sector buildings, many times the figures were just for construction, so we were comparing apples and oranges. So we tried to clear that up for the regents.

But during the time I was [senior vice] president, we did a couple of other reviews. I actually brought in three people from the outside, two from the private sector and one with university background, to look at our processes to see if we could introduce any more efficiency. Some of the things that I had in mind was some standardization. So if you're building a classroom building in San Diego and a classroom building in Santa Cruz, you're not likely to bid the same project or the two projects together, but you might consider using the same seats, and then have a contract with the seating manufacturer, because we know over the next five years we're going to build ten classroom buildings and standardize the seats. Maybe standardize toilets, I don't know. Whatever. So you could take advantage of the system.

And we did some of that, and some things we were able to procure through the state procurement system and the like. But the campuses again want to be very independent.

13-00:11:51

Lage:

And individual.

13-00:11:51

Kennedy:

And individual, and they want to select architects that are going to design the kind of buildings they want, and they want to try to be in control, and it's kind of this balance

again of providing the oversight, making sure things are done reasonable and cost-effective, but trying to give the campuses as much flexibility as possible. So it's a chore.

13-00:12:19

Lage:

On this campus, the seismic upgrade has become a huge thing, kind of driving our building plan, I would guess. How did that relate to UC—?

13-00:12:29

Kennedy:

Well, every time there's a major seismic event in California, or perhaps elsewhere, there's a re-look at the standards that are out there for seismic safety. Usually that means they're going to be upgraded in some way. So every time, when we had the Loma Prieta earthquake, or the L.A. earthquake, they examined what happened and decided that certain types of buildings were not seismically sound, and changed the standards. Or when they had the big earthquake in Japan, a lot of data came out of that which caused standards to be increased or changed. So when you do that, then new buildings clearly are going to include the new standards.

Then there's the question about, "Well, what about existing buildings?" Clearly, when you go in to renovate a building, you're going to bring it up to not only seismic but other code, current code provisions—electrical, mechanical, whatever. But then there's the question of safety. Periodically in my time with the university, there have been a number of studies evaluating university facilities in terms of their seismic safety, based on whatever the current code is. And there have been a number of seismic programs, some financed internally, some financed by the state, and part of the annual capital budget, there are seismic projects in there to continually upgrade the facilities so that they are safe. On a campus like Berkeley, which is an old campus, a lot of old buildings, that's a bigger problem than, say, a campus like Irvine, San Diego—

13-00:14:21

Lage:

Especially since we're so close to the fault.

13-00:14:23

Kennedy:

And you're close to the fault. Well, L.A. is too, but L.A.'s plant is a little more modern than the Berkeley plant, clearly.

13-00:14:29

Lage:

Although a lot of the buildings that were found to be the worst on campus—

13-00:14:32

Kennedy:

Well, Royce Hall, for example.

13-00:14:36

Lage:

Oh, at UCLA?

13-00:14:37

Kennedy:

Yes. That was totally redone after—

13-00:14:41

Lage:

But that is an old one. A lot of ours were sixties and seventies buildings.

13-00:14:45

Kennedy:

Well, but the standards have changed. Again, every time there's a major seismic event, there's an evaluation of the code, taking what they learned from those earthquakes to change the standards. So it's a big dollar value, and in a sense, it also drives the capital program, because when you need—particularly when the university is expanding, you've got a new campus in Merced, you've got Irvine, San Diego, other campuses expanding—they need additional facilities, and yet a certain portion of the program has to be set aside for improving facilities here at Berkeley and other campuses. Even San Diego has buildings that are not as seismically sound as they should be.

13-00:15:28

Lage:

Is that a tension between the campuses, who's going to get the buildings, or how—

13-00:15:32

Kennedy:

Well, I mean, yes, there is a tension. I think it's in the main a positive tension, and I think the decision-making on capital programs is pretty refined and I think pretty equitable. Larry Hershman's office tries to balance the needs of a growth campus versus the needs of an existing campus, and balance things programmatically, and keeping safety in mind. I mean, there have been other—

13-00:16:07

Lage:

Is his office the one that sort of decides which projects will be put forth?

13-00:16:13

Kennedy:

In the state capital budget. In the non-state budget, it's more the campuses putting forth projects that they think they can support financially, and then the president's office deciding whether those projects are in fact viable. So you could say there's a state capital budget and a non-state capital budget. The state capital budget is a five-year rotating set of priorities, and each year you add another year, so it's just a continual five-year program, working with the Department of Finance and the Leg. Analyst and so forth to make sure they're willing to support projects that are in that budget. And that's all done in Larry's office. And once the money is secured, then we would get involved in terms of the implementation of the projects.

13-00:17:04

Lage:

And [laughs] here's another "I've heard."

13-00:17:08

Kennedy:

Okay. We'll see whether I've heard the same thing.

13-00:17:13

Lage:

I've heard that contractors who are building buildings for Berkeley routinely just tack 20 percent onto their usual costs, because it's so difficult to work with the campus, and there are so many delays.

13-00:17:26

Kennedy:

I have no evidence of that. I think that there probably is some additional burden working with the university in terms of the way in which we specify things and try to build buildings that are going to last for fifty years, at least in terms of their structures. And that's been something that's been debated with the board and with others on and off during my tenure: should we be building fifty-year-life buildings or thirty-year-life buildings? Always the comparison is the private sector. The difference there is a

developer builds a building that he's not going to operate, he's just building it for fun and profit. So he builds it, it meets whatever the code requirements are, but he's not going to maintain it. He's going to sell it, and the new owner is going to maintain it, and probably the new owner isn't going to have it for more than five years, ten years, or whatever, and then it's going to be sold again.

The university is going to own these buildings for as long as they're standing, so we have to think about life cycle, the cost of operating them versus the cost of building them. So you try to build them with sufficient quality so that you can minimize the operating cost, whether it be more efficient lighting or better heating, better insulation, more sound electrical systems, maybe better quality elevators, or whatever. Because if you don't, ten, fifteen years from now, you're going to have to spend a huge amount of money renovating. So there are these tradeoffs.

Again, these are questions that don't have absolute right answers. There's a lot of speculation out there that university buildings are terribly expensive, and there is some evidence of that. On the other hand, we are building buildings for the long haul, not for the short haul. Is that the right thing to do? I think so. There are other people who might argue that it would be better to think about replacement every thirty years.

13-00:19:41

Lage:

I can't imagine. [laughter] Continual building. It doesn't make sense.

13-00:19:46

Kennedy:

And also, I think we're trying to—we're not building buildings in isolation. We're building buildings that are part of a campus, and have to fit in in the space that's available. It has to have a character that is going to be compatible with other buildings in the area, hopefully of not lesser quality but equal or better quality. And in many of the campuses that are mature, like a Berkeley or a UCLA, or UCSF's a better example, you're building in areas that are not easy to have access to because there are other buildings surrounding them, urban types of construction, which is going to cost a little more than, say, at Merced, where you're going to build in open fields.

13-00:20:38

Lage:

So overall, did you feel that that aspect of your—what you would call it—

13-00:20:46

Kennedy:

Responsibilities?

13-00:20:46

Lage:

[laughs] Okay. —was well managed?

13-00:20:51

Kennedy:

I think it went relative well. There were a few things that I think could have been advanced more rapidly and perhaps would have helped. I mean, one of the things that I had an interest in and still do, and I think the university's doing more and more of it these days, is to turn to the private sector for financing of projects. You know, developer-model; the Davis campus has a number of projects that have been built and are operated by outside concerns. So the university is not at financial risk; the developer is.

13-00:21:29

Lage: But they rent from the developer?

13-00:21:29

Kennedy: Well, it's for housing primarily.

13-00:21:31

Lage: Oh, I see.

13-00:21:29

Kennedy: For student housing or perhaps even faculty housing. One of the issues the university at some point may have to face is its debt capacity. The debt in the university has risen very rapidly during this latest round of expansion, the eighties into the nineties. It leveled off a little bit and now we're in a major expansion program again. So the debt level has gone up dramatically, and while the university has an excellent credit rating, better than the State of California at the moment, at some point if you book enough debt on your books, rating agencies will raise questions about whether the university has the financial ability in the future to pay it back.

13-00:22:21

Lage: And that would be tied into the solvency of the state, I would think.

13-00:22:23

Kennedy: No, actually, in this case, the university is viewed independently from the state, for those things that it finances. So they look to the university's financial statement as to whether or not the university has the ability to repay. Whether it be from student income for housing or from our research programs or from fees for student athletic facilities or whatever. But there are ratios that rating agencies use, of debt to income, and if you get up into areas where you're exceeding those ratios, a couple of things can happen. One is your rating can go down, which means you pay more money to borrow, more interest to borrow, like the state is experiencing right now. Or, the agencies may say, "We're not going to recommend any more borrowing for the university unless you want to pay really exorbitant rates." So they send the rating down to a very low level, and the rates go so high you can't afford to take the debt on.

So you have to keep that in balance. And if you can figure out ways to do these projects that are off your books, and still obviously meeting accounting standards and so forth, that helps you. So if you get a developer to do it and he takes the risk and it still meets your programmatic needs, that's pretty good, because then you can take that money and use it for some other project.

13-00:23:49

Lage: So would your office have encouraged or helped universities to develop that kind of—

13-00:23:59

Kennedy: Yes, we actually ran a couple of seminars bringing in outside developers and experts with the campuses to talk about developer-driven models. And as I say, Davis has done it, San Diego I think is now doing a project, and I think a couple of the other campuses are beginning to take on some of those, as an alternative to the university financing. And it particularly lends itself to housing.

13-00:24:28

Lage:

I would think so, a little package that's easy to deal with. Okay. I'm wondering if we should move along to a new topic. How about the hospital area? Maybe just first with an overview of what your responsibilities were, because I know there was a vice president for the medical field.

13-00:24:53

Kennedy:

When I first went to the president's office, Dr. Con Hopper was the vice president for medical affairs, I think was his title. Con had really two primary responsibilities. One was medical education: medical students, intern-residency programs, that aspect; and then the other one had to do with the financial aspects of our medical programs: the medical centers, our medical practice plans which generate clinical revenue for our medical schools. It was in that area where I had more involvement, because we, meaning my financial management folks, were the ones who did the accounting and did the analysis and worked with the hospitals and the medical schools to make sure that their finances were in order. So at regents' meetings, Con would make presentations, we would be there to help. We helped to prepare the regents' agenda material, which had the financial reports from the medical centers that went to the board on a regular basis.

And there was a high level of interest by the board in medical centers, because of the dollars that were involved. I mean, these were billions of dollars.

13-00:26:22

Lage:

It's almost like a separate business that the university is in.

13-00:26:25

Kennedy:

It almost is like a separate business. And there were, you know, times during my tenure in the university where I think every hospital in the system was in trouble. It's somewhat cyclical; maybe one year or two, it might be Davis, and then it might be San Francisco or L.A. Again, it would depend on reimbursement, on local circumstances, what the competition was. What's always been clear to me is that California is such a big state that there are just different markets in the health care field. San Diego is just a very different health care market from San Francisco. So you have to make sure that that's recognized by the regents and others.

But these are difficult areas, and again—

13-00:27:16

Lage:

And you had background in it.

13-00:27:16

Kennedy:

I had background, having spent a dozen years in the health sciences. Again, we have hospitals only because we have medical teaching programs. If we didn't train medical students and residents, we wouldn't have hospitals.

13-00:27:33

Lage:

But why do you have to run the whole hospital?

13-00:27:35

Kennedy:

Well, one can argue that you could adopt the Harvard model. Harvard doesn't own any hospitals. They use hospitals that are owned by other entities. In a sense, it's history that

happened a very long time ago. I think it's culture and circumstances. I can't tell you why the University of California decided to own its San Francisco or UCLA hospitals. I know in San Diego, when the medical school started, we didn't own the hospital. It was owned by the county. We used the county hospital, always with the thought we were going to build our own hospital. At one point in time, the regents decided that if we didn't own it, we weren't going to operate it any more, because we were having so many difficulties with the county in terms of reimbursement and this and that. So the board actually got money from Sacramento and we bought the hospital from the county, so that really was pushed by the regents.

So you're in a competitive marketplace. On the one hand, you're not as efficient as perhaps a private hospital, because you have students and you have interns and residents, which do not lead to the most efficient kind of an operation. In comparison to other teaching hospitals, I think ours have been reasonably well managed. But again, over time, different directors, whatever, some of these hospitals got into trouble, maybe being too aggressive, taking on too much in terms of a new program or whatever, maybe negotiating bad contracts or whatever. But again, it was interesting that always one of them was in trouble, if not two or three. So there was a lot of attention always.

But I think what was clear to me was, and I think to Jack Peltason and then Atkinson, was that we needed to have someone who could devote their full time to worrying about the clinical aspects of our medical program. Not the academic but the clinical. Because we had Dr. Hopper to worry about the medical educational programs and the like. But we needed somebody that was really experienced in managing medical centers that could provide some oversight and policy direction and help the medical centers in maximizing reimbursement and so forth. So shortly after Dick was recruited as president, we did recruit Bill Gurtner as vice president for clinical development. I think the title sort of captures what Bill's responsibilities were, to work with the medical centers to develop their clinical programs. So he came with those responsibilities, and I know we talked earlier about some of the differences of opinion that I had with Bill over the nature of his office and his set of responsibilities, which clearly were to work with the medical centers, but in my mind clearly not to replicate what already existed in other offices in the president's office, mainly in the financial management arena. The accounting and financial oversight of the medical centers, we had a staff to do that, had a good then associate vice president for financial management, Anne Broome, later a vice president and still there, to worry about those things, and to work with our hospital—

13-00:31:23

Lage:

And you didn't want him to—

13-00:31:24

Kennedy:

Well, he wanted to develop his own staff, and I understand that, but on the other hand, that was duplication and not efficient, and I didn't want the president's office to yet employ a whole bunch more people.

13-00:31:42

Lage:

How did you work that out?

13-00:31:43

Kennedy: I just said no. [laughter]

13-00:31:47

Lage: That's right, you were a senior vice president.

13-00:31:49

Kennedy: Well, he had access to the president, but I think he chose not to exercise that access, and we worked it out over time.

13-00:31:56

Lage: Did he feel your people weren't servicing him well enough?

13-00:32:00

Kennedy: No, I think he wanted to have them under his control, and maybe genuinely felt that was part of his responsibility, and in a sense, if things went badly, I guess the regents would have gotten on Bill's case, not on Anne Broome's or mine. But we weren't talking about the development of program; we were just talking about the financial management, the accounting, preparation of reports and the like that was part of our responsibility. And working with the hospital financial directors to make sure they were rolling up the right information that we needed, their accounting practices were sound, and so forth.

And also, we had the risk management program under our auspices, which is the self-insurance program for the medical centers, for our physicians who practiced medicine and other insurance risks of the university. So kind of an integral part of it was managing those risks.

13-00:32:56

Lage: It sounds like this could be a whole business just on its own. A huge one.

13-00:32:59

Kennedy: Well, sometimes there was discussion of maybe the medical centers should be moved out under some separate corporate entity and so forth. But I don't think that would have changed anything. The university still was responsible, and I think in the end, the wisdom was that leaving them as part of the university was the wise thing to do. Of course, then there's the San Francisco issue.

13-00:33:30

Lage: The merger, you mean. Let's talk about that. The merger—attempted merger—with Stanford and UCSF hospitals.

13-00:33:37

Kennedy: Well, actually, it took place, and then there was a divorce.

This was something that, as I understand it, came out of a discussion between the chancellor at San Francisco and the president of Stanford. Joe Martin, who was then chancellor at UCSF, and Gerhard Casper.

My understanding is that they at some point had a discussion about the current state of delivery of health care reimbursement in the Bay Area and came to the view that it was potentially feasible for the University of California San Francisco and Stanford Medical Center to be allies rather than competitors. So they, I assume, had some discussions, and

at some point this began to surface in the president's office. I participated in a number of discussions with people from Stanford, with people from San Francisco, other people in the president's office, and a few regents about the feasibility of all of this.

I guess from my point of view, initially I was somewhat not real positive about it, wondering how we would ever bring those two cultures together and whether truly the whole would be more efficient than the two parts.

13-00:35:38

Lage:

How did you see the two cultures being different?

13-00:35:39

Kennedy:

Well, look, medical school faculty and medical centers are somewhat a creation of their history and where they live, where they operate out of. UCSF in San Francisco, also with running the San Francisco General Hospital, and having a very heavy research-based culture. Stanford down in Palo Alto, a little more affluent clientele than we had, and a different, although a very great research faculty, but a little perhaps heavier on the clinical delivery and expertise than UC, not that ours was bad by any stretch, it was excellent. But they're just too different—and being competitors for a lot of years.

But in any event, the wisdom was to try and move forward with this, and once that was decided, then our job was to try and put together a plan that would work. I had probably less involvement in that. I was kind of sitting in a review type of a position, but people like Gurtner and Anne Broome and others, and particularly people at UCSF—Bill Kerr, who was then the director—were heavily involved in day-to-day, week-to-week, consultants were brought in, and so forth.

13-00:37:22

Lage:

What was the actual plan? To have one hospital?

13-00:37:24

Kennedy:

No, the plan was to operate the two hospitals under a new corporate structure that would be separate from Stanford and separate from the university. Although Stanford and UC would be the co-owners, the two principals in that new corporation. It would have its own board that would be made up of some Stanford people, some UC people, and some outside people. It would be self-sustaining. The idea was that the two hospitals could be much more efficient, in terms of procurement practices and billing and financial systems and the like, and that they could be a very strong competitive force jointly in terms of competing with the rest of the health care delivery system in the northern California region.

So there were a lot of reviews in terms of whether this would pass muster with federal regulations and with state regulations. In the end, all of that was resolved, and it was discussed by the regents many, many times.

13-00:38:44

Lage:

Was it controversial—?

13-00:38:47

Kennedy:

Yes, and in particular, Regent [Frank] Clark was very much opposed to it, and to the end, he was very much opposed to it.

13-00:38:58

Lage:

On the grounds that?

13-00:38:59

Kennedy:

I think he did not believe that it made financial sense to do it. He was very suspicious of some of the pro forma statements that were put together in terms of projections of income and expenses and the like. But in the end—and we had external reviewers, and they made presentations at board meetings. I think in the end, most people decided that it probably made sense to do it. So it was done, and it was approved, and the new corporation was set up.

Then, it didn't take very long for them to get themselves into financial difficulty. And it didn't take very long, I think, for the two parties to come to the view that it wasn't working.

13-00:40:03

Lage:

[laughs] And what would the—

13-00:40:05

Kennedy:

Well, from my perspective—

13-00:40:07

Lage:

Could it be that individually, the hospitals were in financial problems?

13-00:40:09

Kennedy:

No, they were both reasonably solvent. I mean, they weren't making gobs of money, but they were solvent. But I think, as I step back and look at it, and again, I was not intimately—once the new corporation was set up, we had an obligation to get information and report to the regents, but we weren't involved in operating. The board of the new corporation, UCSF/Stanford, which included some of our regents, had that responsibility.

But I guess my observation would be the following, and I don't know whether I'm right or wrong, but it's my observation. One is in putting the two hospitals together, we basically used the same management of the two old hospitals, so the director of the Stanford hospital became the chief executive officer, and the director of the San Francisco hospital became the deputy. So in a sense, we were taking the same business culture from the two institutions and trying to merge them into one. Perhaps if we would have gone outside and brought in someone or some group that had a different approach to the development of a new corporation, even though it had two components that came from existing entities, it might have worked better. But I think the efficiencies just were not introduced, and maybe it's because the management didn't understand how to do that. Or maybe they did and couldn't implement it. I just don't know. But they spent a lot of money putting up a new information system for patient billing and financials and so forth, and it was very expensive and took a long time to get implemented, and a lot of money was not billed for and never collected.

And then the second part of it was that I don't think there was enough work done before the merger to integrate the two faculties. There was really high hopes that they were going to be complementing each other, particularly in areas like pediatrics, that rather

than competing they were going to merge and be a very powerful force. When in fact that really didn't happen.

13-00:42:39

Lage: They competed within the same institution?

13-00:42:41

Kennedy: They were continuing to compete, and faculty were grumbling that they never agreed to this merger, and yet they were being dragged into it and so forth. So after I guess a couple of years or eighteen months or whatever it was, it became very clear that things were not going to work, and so there was a decision made, first I think by President Atkinson and by the Stanford President Casper, that they probably should recommend to their respective boards that the corporation be dissolved. So eventually, the new board got involved, and it was very complicated. And there was a lot of money lost as a result.

13-00:43:30

Lage: Yes, that's what I was going to ask you; was—

13-00:43:29

Kennedy: I can't tell you how much because I don't know. A lot of this got, again, ironed out after I stepped down. There were still issues that were outstanding. But there were so many things to—I mean, we talked earlier about retirement systems and employees. Well, we had our employees and unions and our retirement system, and they had something different, and they had a defined contribution plan, I believe. The new corporation wanted to have a defined contribution plan, and how to transfer our employees—So we had to create incentives for people to move from our system to a new system. There were a whole bunch of senior people who had so much vested in the University of California Retirement System that we worked out an arrangement, with IRS blessing, as I recall, to actually lease a number of employees, so they remained University of California employees and covered by our benefit packages, leased to the new medical center, so basically they reimbursed us for the services of those employees. It wasn't a big number, but some of them were senior nurses and so forth.

So there were just a lot of complications that had financial implications. But it's kind of cultural, I think, almost more than—I mean, I just don't think they ever quite got off on the right track as a new corporation with a strategic long-range plan that was going to address these efficiency issues and the marketplace and the faculty. It just never happened. Maybe trying to put these—

13-00:45:13

Lage: That seems to be a leadership problem.

13-00:45:13

Kennedy: Yes, there were so many problems to deal with, trying to put these things together.

13-00:45:18

Lage: I guess I don't get the competition aspect. It shows my naivete, why the UCSF would be competing with the Stanford hospital.

- 13-00:45:27  
Kennedy: Well, in the specialty areas, no question about that.
- 13-00:45:31  
Lage: Where people will travel some distance?
- 13-00:45:34  
Kennedy: Sure, right.
- 13-00:45:36  
Lage: And that's an area where they make money, perhaps?
- 13-00:45:38  
Kennedy: Well, yes, clearly, on the faculty side, they do reasonably well, although less well today than they used to, I think, because of reimbursement policies. But the idea is the more patients you get in your medical center, the better off you're going to be in terms of occupancy and the like. The more cardiac surgeries you're going to do, the more you use your facilities, and specialized facilities and the like. But the idea was that this was going to be a very dominant force in northern California that would have a lot of prestige, and they could market not only to patients locally but all over the country and the world, because of the prestige. And a lot of patients at San Francisco and Stanford come from elsewhere. They're not just from northern California.
- 13-00:46:32  
Lage: Would this have been a black eye for the chancellor, then, the failure of this?
- 13-00:46:36  
Kennedy: Well, Dr. Martin left before the thing ever was consummated.
- 13-00:46:45  
Lage: Oh, I see, so his idea, but he wasn't there to carry it through.
- 13-00:46:49  
Kennedy: Right. So Mike Bishop, who became the new chancellor, inherited the merger, and then had to provide the leadership to go through the divorce and reestablish UC San Francisco Medical Center.
- 13-00:47:07  
Lage: Is the medical center on good footing now?
- 13-00:47:10  
Kennedy: I believe they are, though I haven't looked at the numbers for a while, but I haven't heard anything negative. I think they assumed it was going to take a few years to get back into a positive mode, but I suspect they are.
- 13-00:47:26  
Lage: Tell me more about the regents. I hear they take an active interest in hospital issues.
- 13-00:47:32  
Kennedy: Well, they do, I think because of the dollars that are involved. The five medical schools and medical centers, I don't know what the bottom line of those five-plus—it's more than five hospitals, but five units—are now, but it's billions of dollars, and in a very

tough marketplace. And yet we need those medical centers for our teaching programs and our research programs, so they're necessities. So it's a dollar issue.

13-00:48:07

Lage: Are there regents with special knowledge of the area?

13-00:48:10

Kennedy: From time to time there have been regents that have had that experience, but most of them, no. But some of them are businessmen.

13-00:48:21

Lage: So are they helpful or not? Be honest.

13-00:48:23

Kennedy: Well, sure. Sometimes they're helpful and sometimes not. I mean, it kind of depends. I think their interests are genuine in trying to protect the university, because it is a huge liability. We need viable medical centers to carry out our educational and research programs. And you don't want the medical centers to be a drain on the rest of the institution. In a sense, they're self-supporting units; they are self-supporting units. You'd like each one to be a tub on its own bottom supporting itself and not draining resources.

13-00:49:10

Lage: Somewhere I read that it was felt the regents were slowing things down.

13-00:49:17

Kennedy: In the merger?

13-00:49:17

Lage: I don't know if it was the merger or the whole business, and there was a special subcommittee set up.

13-00:49:24

Kennedy: Well, I mean, sometimes when you have a large body of trustees, or in this case regents, some of whom are experienced in business matters or hospital matters and many aren't, and you're asking them to make decisions that are really important and have big impacts on the future of the medical center or the university's medical enterprise, they have trouble coming to grips with it. They want more information, and they want to be assured that they're getting it right. So I think there is a potential, I don't know if slow downs is the right word, but deliberation could drag out to make sure that all the regents are satisfied that this is the right thing to do.

Sometimes timeliness is really important when you're trying to compete. I mean, I can remember how long it took for us to get approval to build the campus hospital in San Diego, over the objections of Regent Clark again, and a few others. I think because of how long it took, we lost some of the competitive edge that we felt strategically we had if we could have got the hospital up and running sooner rather than later. So while I appreciate the board wanting to take its time and deliberate and make sure they get it right, if you wait too long, it can become a negative. There are cases where that I think happened. Again, I think their interests were absolutely right on target; it's sometimes it just took too long.

- 13-00:51:12  
Lage: But did they have enough faith in their managers?
- 13-00:51:16  
Kennedy: No. [laughter]
- 13-00:51:17  
Lage: Because it's such a complex topic, I would think it would be only a few that could invest the—
- 13-00:51:22  
Kennedy: Well, but they're the trustees, and I think sometimes they will rely on the opinions and counsel of their co-regents. I think in the hospital arena, and maybe things have changed since I left, I think there was adequate concern that maybe we were painting too rosy a picture in some of these pro formas we were playing out in terms of future revenues and income and so forth. You make your best judgment based on the data that you have and you put the numbers forward, and the one thing you know whenever you make projections is that they're going to be wrong. They may be high, they may be low, but they're not going to be right on target. So you do the best you can. Sometimes we were right, sometimes we were wrong. The trick is if you're wrong, to recognize it as soon as possible and put corrective action in place.
- But again, these are heavy burdens for the board.
- 13-00:52:22  
Lage: Was that merger controversial on the [board of] regents?
- 13-00:52:27  
Kennedy: Yes, I think it was controversial, sure. And there were a lot of difficult sessions in terms of whether to go along with that or not.
- 13-00:52:37  
Lage: And they probably wish they hadn't.
- 13-00:52:38  
Kennedy: Well, a lot of us wish we hadn't, in hindsight. [laughter] But you know, everything is not going to work, and you're going to have your share of failures. Fortunately, the University of California has mostly successes, but occasionally something goes awry.
- 13-00:52:58  
Lage: Do you foresee any change, or do you think there will ever be a time when the university divests itself of those hospitals? Or is it just too much a part of the program?
- 13-00:53:06  
Kennedy: I think it's too much part of the program, although it's hard to predict what health care is going to look like in ten or fifteen years.
- 13-00:53:15  
Lage: That's one of the problems.

13-00:53:16  
Kennedy:

I mean, the thing that scares a lot of the regents, when you really get into the figures, is that even hospitals that are showing a successful bottom line, a lot of that success is a result of programs that provide additional money from the state or the federal government to assist with indigent care, or with health education or whatever, and if you took those extra dollars away, the medical centers would be in the red. So you rely on something that you don't control. We don't control how much money we're going to get from the state for clinical teaching subsidy, or from the federal government for medical education, as part of reimbursement programs or whatever. So it's just a constant struggle when you're not in control of—I mean, even if you do the best job you can, and suddenly the state decides it's going to eliminate all the clinical teaching subsidy, we'd be in difficulty, and we have no way to control that.

13-00:54:19  
Lage:

But that would be an area of the budget that Larry Hershman's office would be—

13-00:54:23  
Kennedy:

Well, Larry and to the extent somebody like Bill Gurtner can go up and help to justify the need for more reimbursement for our hospitals because of the level of indigent care that they're involved in, or whatever the criteria might be for additional support. It's a very complicated arena.

13-00:54:45  
Lage:

Yes. I would feel worried in the environment we're facing right now in Sacramento.

13-00:54:50  
Kennedy:

Yes.

13-00:54:51  
Lage:

Okay, anything else we should say about hospitals?

13-00:54:56  
Kennedy:

No, I don't think so.

13-00:55:00  
Lage:

Okay. You're still at a three o'clock—

13-00:55:04  
Kennedy:

Yes, three, three-fifteen, whatever works for you.

13-00:55:08  
Lage:

I can do either.

The information systems and computing area, the California Digital Library were also part of your bailiwick.

13-00:55:26  
Kennedy:

Well, Cal Digital Library really was more on the academic side than mine, although we had some responsibility for supporting the technical aspects of it.

- 13-00:55:35  
Lage: It's another one of those areas where there's just a really close interface, it seems, between the academic side—
- 13-00:55:42  
Kennedy: Academic affairs, right, and the business side. We could probably do that. Or if you want to go into something else and pick that up next time?
- 13-00:55:51  
Lage: Let's try to talk about that, because I have a feeling it won't be really long. Is that right? It won't take us—
- 13-00:55:57  
Kennedy: No, I don't think it will be terribly long.
- 13-00:56:00  
Lage: Yes, and we'll pick off a few of these things, so next time I'm hoping we can concentrate on the lab and the federal government.
- I guess that was one of my questions, was how these two things interfaced: the provost was over the California Digital Library, and you were over information systems.
- 13-00:56:17  
Kennedy: Well, the information systems enterprise reported to the senior vice president for business and finance, but in that role, we supported the needs of the academic side of the institution, including money for the library systems, which predates the digital library—you know, the Melvyl system, the systemwide computer-driven library system.
- 13-00:56:54  
Lage: Did you not only give money but also have [supervision of] systems development?
- 13-00:56:57  
Kennedy: Yes, I think the answer is yes. That's sort of before my time, but we had as part of our budget, we had a library portion, and we provided the technical folks to do all of that work. The people that had responsibility for the program aspects of it were part of Jud King's enterprise on the provost side, and we worked closely together. But information technology went way beyond that. We had financial systems and other systems for which we had the systemwide responsibility. Although each campus has its own information system, the roll-up of financial information into the central financial system and the interface with the campuses was very important, and so we performed that interface role.
- 13-00:57:55  
Lage: Now, when you say the roll-up, you mean gathering one set of systems into your system?
- 13-00:57:59  
Kennedy: Yes, we have to accumulate financial data for the whole university. A lot of it is generated down at the campus level. Then that data is, you could call it transmitted, we call it roll-up, into the university's financial system for display to the regents in our financial report, our accounting records and then our financial report. And as I think we mentioned at a previous session, at one point I had had some thoughts about trying to

have a common system, and the regents obviously had some thoughts about that, and it just was never feasible for many reasons, financial and other, to try and take nine-plus different systems and recast them into one system. The cost would have been enormous. There was resistance at the campus level. Nobody wanted to allocate the kind of money that it would require, and even if they did, there are lots of examples around the country of trying to do that and spending huge amounts of money and failing.

So rather, what we tried to do was to make sure that there were common elements at the campus level that would satisfy the needs of the system, so that we go the data we wanted. We also tried to get the campuses to think about not reinventing the wheel every time they were going to invest in systems, but to look at what their colleagues were doing at other campuses and try to adopt some or adapt some of the programs that they had purchased or had developed themselves.

13-00:59:41  
Lage:

And how did that work?

13-00:59:41  
Kennedy:

Well, I think we had some success. I don't think we had great success in doing that. But you know, in the end, I think if you look at the amount of money that the University of California spends in this arena, and it's not easy to account for it, but if you do, I don't think it's outrageous, and I think if you can get the information that you need, if you can assure that the campus systems are going to be responsive to their own needs as well as your needs, and if you can keep the cost reasonably in control, it's probably not worth taking the risk of developing a mega-system for cultures that are very different, business cultures, academic cultures that are just very different around the university. As I always say, UC San Francisco is as different from UC San Diego as Harvard and Stanford. I mean, they're just different places. And if you try to force them—

13-01:00:47  
Lage:

But does that mean they need different information systems?

13-01:00:51  
Kennedy:

Well, it's not that they need them, it's that they grew up that way.

13-01:00:56  
Lage:

I see, it's organic.

13-01:00:56  
Kennedy:

And if you recall, I mentioned at one of our sessions about, at one point there was a University of California system. Then it was decentralized, and then there were these north-south data processing centers, and they were abandoned because they weren't functioning properly, and the resources were distributed to the campuses. So each campus built its own, with the responsibility for making sure the president's office got what it needed in terms of data. So you go through these phases, and now you have nine mature campuses or relatively mature campuses with nine systems in different stages of either upgrading or redoing their systems, and how to coordinate all of that and create one big system is a very daunting chore. And very risky. The Department of Motor Vehicles in the State of California a decade ago spent hundreds of millions—\$600 million or \$800 million, I can't remember the amount—huge amounts of money, and failed. In the end, they abandoned the system. The CSU system recently has gotten

panned in the newspapers for spending something like \$600 million, and the system is suspect. So is it worth going to that extreme if you can still satisfy the needs of the university from a data-gathering fiduciary point of view?

13-01:02:31

Lage:

Which is what—you're not trying to run the whole thing from the president's office anyway.

13-01:02:34

Kennedy:

Right.

13-01:02:34

Lage:

What is Stuart Lynn's responsibility?

13-01:02:40

Kennedy:

I hired Stuart to be head of our IT setup. Stuart had been at Berkeley early in his career and was at IBM for a while, and then was at another private university, I'm blocking out on which one at the moment. The gentleman that ran our system, Richard West, left not too long after I became vice president. Richard was a candidate for my position. He had worked for Ron Brady, terrific guy, and ran a good shop, but he left and went to CSU. He is vice president—still is vice president, I think, for budget at CSU. When Richard decided to leave, I had to do a recruit to find a new person, and I had a committee that was chaired by Bob Gray, who was the vice chancellor at UC Davis, and people from around the system and the president's office. Stuart emerged as the candidate, and people like Stuart, one is he's very competent and he knew the University of California because of his Berkeley experience. He related very well to the faculty, got along with the faculty, understood faculty issues, and I think was well known nationally and so was kind of on the in in his field. I think he did a very good job for us.

Some people feel Stuart perhaps was not aggressive enough in some areas, but I think overall, he did a very good job. Unfortunately, Stuart decided to retire, I think he was there three years or three and a half years. Had sort of promised five, but for personal reasons decided to step down, and that was unfortunate for the university, I think.

13-01:04:43

Lage:

Because he would have been over all of this, or was over all the information technology?

13-01:04:48

Kennedy:

Yes, he was, right.

13-01:04:48

Lage:

From library-related things to financial?

13-01:04:51

Kennedy:

Yes. But then sort of towards the tail end of Stuart's tenure, there was the issue of the digital library that emerged, and a thrust to move into the digital library arena, and a commitment from Dick Atkinson that this was something we were going to do and we were going to invest in. And some disagreements that emerged between Stuart and my arena with the person that worked for Jud who was developing the digital library, and I'm blocking out on his name because he's not here any more. But he wanted again the

kind of, like most people when they take on responsibilities, they want to have all the resources and have everything reporting to them, and so he wanted to pull away from Stuart's operation a fair amount of resource which he would control. We didn't feel that that was appropriate.

13-01:05:54

Lage: Was this Richard Lucier?

13-01:05:55

Kennedy: Yes, Richard Lucier, good for you. We didn't feel that that was appropriate for a number of reasons. One is we felt we had a very good track record of supporting the Melvyl and the library system, and that people were generally satisfied with what we were doing. Number two, we had the expertise in the IT arena, and Richard Lucier we judged did not have that expertise. I'm not saying he wasn't competent in his own right, but he didn't have the developmental expertise. So to move resources over under his control and have us be responsible for carrying out these things just didn't make any sense.

13-01:06:40

Lage: Did Jud King agree with that? I mean, is this something where the two—

13-01:06:44

Kennedy: Well, you know, Jud and I had a fair number of discussions about that, and Jud was pretty much noncommittal sort of early on in the game. But Richard also had developed a relationship with the president, with Dick Atkinson, and he was always buzzing in Dick's ear about, "I need this in order to carry out the mandate that you've given me," and maybe even "if I don't get it, I'm going to leave." I'm making that up, I really don't know, but it kind of felt like that. And Stuart was not very happy with the idea of having something that he had toiled over and that we thought was getting the job done fragmented, and have a large amount of resource taken away. So it was a big issue.

In the end, the president decided to do that, to fragment it. My memory is a little fuzzy because Stuart either left right before or right after this happened. I don't think that was—

13-01:07:54

Lage: Oh, you don't think it was—

13-01:07:55

Kennedy: No, I don't. I think Stuart—genuinely there were some personal issues, which I'd rather not discuss, but I think he just genuinely felt he had to retire and get out. So Stuart left, I had an acting-deputy, Jim Dolgonas, who had been acting before Stuart was hired, but this digital library thing was kind of a big issue. When I went out to recruit a new person, it was not an easy recruit. One is we were not terribly competitive salary-wise. Number two, I think there weren't a lot of good people around at the moment. I mean, some of this is sort of timing: go out looking for people, and you're not as competitive as you should be, you're not likely to draw somebody away from another institution, and so you are out looking for people who are currently available, and there wasn't a good crop at the time.

But there was an individual who had just retired from the army as a three-star general who had had the responsibility for the army's IT and for putting together the army's

distance learning computer-based program that was transmitted all over the world. I decided that he had good skills, wasn't a university person but he had good skills, and that he was the kind of person that perhaps could come in, because he had that experience with the army, which was educational among other things, and do a good job. He agreed to come, his name was Bill Campbell. When I hired him, I told him that I was going to retire, and this maybe was six, eight months before I was going to step down. I was very straightforward and very honest with him, because I didn't want him to come and then have an announcement made that I was stepping down and him feel like that I had misrepresented some things. But I'm not sure he really knew what he was getting into.

13-01:10:18

Lage:

Did he come in the middle of all this?

13-01:10:20

Kennedy:

Yes. Well, he sort of came in the middle of it. I think he was very competent, but I think in what I'll call a foreign environment, for someone who spent his career in the military, and the university was a foreign environment, he needed someone that could really help him sort of wend his way through the quagmire and the land mines, and I could have done that. I mean, I was pretty good at that. But I was getting ready to leave, and so I didn't have the opportunity to do that, and I don't think Bill got the right guidance. Then he had the resources taken away for the digital library, and so I think after a period of a year and a half or two of frustration, he resigned and went back East to work for some company. I actually talked to him a little bit when I found out he was resigning, and I think he just came to the view the university was not his arena. On the other hand, I still believe, maybe because I hired him and maybe I'm being naïve, but I still believe that if someone would have really taken him in tow and helped him fight some of the battles and understand the system and be there to be his advocate, that he probably could have pulled it off. But, it doesn't matter, it didn't happen.

13-01:11:46

Lage:

Was this an area where you would have gone to Dick Atkinson to make a strong case?

13-01:11:53

Kennedy:

Oh, I did, I had long discussions with Dick about pulling the digital library out. But I mean, I think from Dick's perspective, one is I think Dick had a lot of confidence in Stuart Lynn, and when Stuart left, I think he had less confidence. I don't think he felt that Campbell was the right replacement for Stuart. And maybe I should have not hired anyone and waited for my successor to come in and hire someone, but I sensed that we needed to have stability, and Dick didn't in the end object to my hiring. He actually interviewed Campbell, and I would say that he was lukewarm, but he didn't tell me not to hire him. If he would have said, "Wait, I don't want you to hire anybody because you're stepping down," I would have obviously not done it.

But I think he probably decided that he had in fact given Lucier a mandate, and that he desperately wanted the digital library to succeed, and it's a great thing and I guess it has succeeded. So I think Dick felt, I assume, that it made more sense to put those resources where he thought he was going to get the biggest bang for his buck. But I think it did cause problems on the other side, not the least of which was Campbell leaving, and then

my successor struggled with that and actually brought somebody in on an interim basis, and then hired—we may have talked about Kris Hafner earlier—

13-01:13:34  
Lage:

Oh, we did.

13-01:13:35  
Kennedy:

—who was my Partnership for Performance person from IBM and then worked for me, and she's now back and running IT.

13-01:13:45  
Lage:

Oh. We're about to run out of time here, so let's stop.

[minidisc 14]

14-00:00:02  
Lage:

Okay, we're back on, and we're just going to complete the story of the information systems and the digital library.

14-00:00:15  
Kennedy:

Right. You had asked earlier where Provost King sort of stood on all of this, and I don't think Jud ever came to a—at least a view that he shared with me, in terms of whether the resources should be fragmented and given to Richard or whatever. Although we had a number of discussions about it. And as I say, in the end, the president made the decision. And then the irony to me is, not too long after that, Richard left.

14-00:00:47  
Lage:

Where did he go?

14-00:00:48  
Kennedy:

Oh, he went someplace back East, I can't remember. And so I think the primary reason for doing it was in order to provide Richard with whatever he needed, or said he needed, in order to get the job done, and then he didn't hang around very long. So there was some irony in all of this.

14-00:01:11  
Lage:

Yes. But did it remain that way?

14-00:01:13  
Kennedy:

As far as I know. I guess they have someone new; I've kind of lost track of it. Things march on.

14-00:01:21  
Lage:

Yes. Well, we were just talking about whether we should go to one more topic, or end, because you had—this code of—is this important, the code of conduct for UC trademark licenses? It got a fair amount of press coverage.

14-00:01:39  
Kennedy:

It's kind of misstated in a way. And it's a very complicated arena that probably has less of my involvement than on the academic side, although I did chair a few committees and participate in a few committees looking at these issues. I don't think there's a lot to say about it, quite frankly.

14-00:02:06

Lage:

Okay. Do you want to say anything about it, or just—if it wasn't central to your—first of all, what was it?

14-00:02:13

Kennedy:

Well, it came out of, as I recall, a UCLA project with an individual who was going to fund some kind of an institute or something, and this individual had a criminal record—

14-00:02:36

Lage:

Is this Michael Milken?

14-00:02:38

Kennedy:

Michael Milken.

14-00:02:38

Lage:

Okay, I didn't realize this was related.

14-00:02:43

Kennedy:

The regents got very exercised about it. There are a lot of things that go on in an academic institution which never are raised to a level of awareness on the part of a board or the public or whatever, and so when one of these things occur and you start talking about policies, and you start talking about faculty members' responsibilities, and you start talking about conflicts of commitment and conflicts of interest and so forth, suddenly people's eyes get real wide. And then they want to probe into these things. There are a lot of arcane things that go on in universities which are not appreciated by the general public or perhaps regents or whatever. So whenever you open up one of these boxes, it's always interesting, some of the things that come out. And a lot of times it results in changes in policy.

This was one of those issues, and I don't even remember all of the circumstances any longer. But it sent us off on a year or so long adventures in terms of reviewing a bunch of policies. Then there was issues in terms of conflict of interest and conflict of commitment in which Jud and I chaired some committees to look at our policies, to make sure that faculty members were not putting themselves and the university in jeopardy. And there is this state law on conflict. I mean, it's a very complicated arena that again has much more emphasis on the academic side than on the business side.

14-00:04:28

Lage:

The one that I saw I guess press attention to doesn't seem very related. It had to do with selling of UC trademarked items like shirts with UC insignia, which might have been made in sweatshops.

14-00:04:45

Kennedy:

Oh, that, the whole sweatshop—that's a whole different—.

14-00:04:49

Lage:

That's what I was—

14-00:04:49

Kennedy:

That's a whole different issue. That was some organizations that were very much opposed to, quote, the sweatshop labor issue, and they tried to implement policies in colleges and universities and other places that would prohibit that from happening. We

had a lot of discussions about that, and there was a national organization—actually I think there were two national organizations created, of which we participated in trying to come up with policies that made sense and that one could enforce and so forth. You have to be really careful that you don't commit yourself to something that you can't enforce that there's no way for you to monitor. We can't start—it's not our job, or maybe we can't start sending people all over the world to monitor that sweatshirts that are being made for UCLA aren't done in sweatshops. And some of these organizations set themselves up as watchdog organizations, but then they wanted us to support them. So it was a very complicated arena, and again, I think it kind of went through ups and downs, and I'm not sure that it was ever resolved during my tenure as to what organization the university was going to be part of, what kind of new policies were we going to put in place. Of course we're against sweatshops and slave labor, and we don't want to buy products from companies that employ those conditions, but doing it right and not putting the university in a situation that would find us in the future being criticized for something over which we had no control. So we were looking for things to settle down, to try and find a sensible approach to all of this, and quite frankly, I don't know what the outcome was.

14-00:06:53

Lage: Was this something the state legislature got involved in?

14-00:06:56

Kennedy: I think at one point, they did, yes.

14-00:06:59

Lage: It sounds kind of like a Cal-PIRG issue. I mean, I don't know if it was, but it—

14-00:07:02

Kennedy: I don't know whether it was—I don't remember Cal-PIRG being involved, but I remember some legislators inquiring about it. There are certain things that I have a tendency to block out on, because they were painful or because I wasn't that interested. I think this was one of the painful ones.

14-00:07:20

Lage: Oh, it was! There must be something.

14-00:07:24

Kennedy: I'd have to go back and bring myself up to date or speed before I could go much further with that one.

14-00:07:29

Lage: Okay, well, this might be a good place to stop, because anywhere we go from now is not going to be just a minute or two.

14-00:07:36

Kennedy: Okay.

14-00:07:40

Lage: So let's come back to all this next time.

[end of session]

[Interview 7—morning session: March 10, 2004]  
[minidisc 15]

15-00:00:02  
Lage:

We are now recording, and today is our seventh session with Wayne Kennedy. I've written this down as June 10, but no, March 10.

15-00:00:14  
Kennedy:

Not yet. Feels like June.

15-00:00:15  
Lage:

Yes, it does, that's why. We're having beautiful weather. March 10, 2004. And we have a couple of sessions planned for the next couple of days, where we plan to finish up our oral history.

The first topic, which probably isn't a really long one, but I think we should cover it, is your role as chief administrative officer for the Office of the President, which gave you the status of a chancellor, it sounds like.

15-00:00:42  
Kennedy:

[laughs]

15-00:00:43  
Lage:

Tell me about that.

15-00:00:43  
Kennedy:

Well, when I first went to the president's office, one of my responsibilities was the administrative oversight, and they for whatever reason termed that as being the chancellor of the Office of the President, which I didn't think was a very appropriate title. So I just called myself the chief operating officer of the Office of the President. Basically, that was to have someone responsible for the sort of ministerial aspects of the president's office, because there is a budget, there is space, and there are issues that have to be dealt with just like a campus or any organization.

15-00:01:28  
Lage:

So sort of treating the office as a campus.

15-00:01:30  
Kennedy:

Well, treating it as an administrative entity that had to have someone provide the oversight, and since most of the areas fell under my umbrella anyway—personnel, HR, and so forth—it was probably appropriate.

15-00:01:47  
Lage:

Where did it put you in relation to, say, Jud King and his administrative structure?

15-00:01:51  
Kennedy:

Well, I was in effect the budget officer, the personnel officer, the space czar and so forth for the president's office, so effectively, I controlled those items, hopefully in a collegial fashion, although there were occasionally some tensions.

15-00:02:10

Lage:

Like what? I always like to get—

15-00:02:13

Kennedy:

Well, in the early days, the university, as you know, in '93 was under a lot of budgetary stress, and the president's office was taking its share of the reductions as well as the campuses. That required us to cut back, and we went through a lot of exercises of budget reductions. Of course, nobody wanted to cut their budget or reduce personnel or what have you. Some people felt they were mistreated, some of the vice presidents felt they may have been mistreated or that they had gotten different treatment than other areas. But what we tried to do was first to do it on a selective basis, but in the end, I think we took the easy way out, like the campuses did, and pretty much did across-the-board cutting. It was just too—

15-00:03:08

Lage:

Like a percentage cut?

15-00:03:09

Kennedy:

Too painful to do it otherwise. But there were always issues of people feeling they needed additional personnel, and we were not hiring any new personnel, or we had some policies in effect that if there was attrition, you couldn't refill those positions unless it were really very, very important, and I in a sense was the judge of that. People could always appeal to the president, but they were very reluctant to do that, obviously.

And then, I may have mentioned this earlier in our discussions, but there were some early tensions with the Office of the Treasurer, because we in the president's office managed their budget, but they didn't report to us. They reported directly to the regents. There was no direct relationship to the president or to the Office of the President, other than when we were in the Kaiser building, they lived in the same building we did. But I had to approve their salary increases and the like, because we had to manage their accounts and pay their bills and pay their personnel and provide them benefits and so forth.

The first year I was up there when there were no salary raises at all, and even reductions, the associate treasurer, who later became treasurer, Patty Small, was very upset when I denied raises for people in the treasurer's office. Well, that was the policy, and it was in a sense a no-brainer, because no one was getting raises. But she caused a real fuss with some of the regents about that, accusing me of giving her a difficult time and so forth. When I finally had an opportunity to explain it to Howard Leach, who I believe was chairman at the time, he understood, but he clearly didn't want to get in the position of refereeing between the associate treasurer and the senior vice president, so he just wanted me to deal with it, and he didn't want to hear about it any more.

15-00:05:11

Lage:

So how did you deal with it?

15-00:05:13

Kennedy:

Well, I had to hold fast, because it was not appropriate, even though they were self-funded and didn't have any state funds supporting them, their support came from a certain number of basis points on the investment portfolio that they received, and so in theory, they could have almost any budget they wanted, but there had to be equal

treatment, because they were part of the university and everyone was taking hits, whether you were state-funded or not.

15-00:05:44

Lage:

What about the Office of the Secretary of the Regents? How are they funded?

15-00:05:48

Kennedy:

They also, the secretary reports directly to Board of Regents. The secretary does not have a reporting relationship to the president. But it was more collegial, and I think they had more of an understanding, and quite frankly, I think they were more integrated into the president's office than the treasurer was.

15-00:06:12

Lage:

But it didn't have that separate funding source, probably?

15-00:06:14

Kennedy:

No, their funds came—I don't know the exact source of their funds. It may have come from state funds, it may have come from non-state funds, but they were just more involved in the day-to-day aspects of the Office of the President than was the treasurer, who really was sort of a separate operation. I had a lot of very close interaction with the secretary, because one of my responsibilities was the regents' agenda. Because the regents' agenda is the president's agenda, it's not—the regents don't put the agenda together, although they can certainly put any item on the agenda they want. But it's the president's responsibility to prepare the agenda, so one of the offices that reported to me did that coordination. We worked very closely with the secretary's office, under two secretaries, Bonnie Smotony and then later when Bonnie retired, Leigh Trivette. I think we had excellent interaction and excellent relationships, and worked closely to make sure that the agenda was done properly and on time, got out to the board on time, and the like. So it was just a different relationship. Some of it's personalities.

15-00:07:28

Lage:

Always is. Was there a lot of pressure in those early years when there were so many cuts to the campuses? Did you get pressure from the campuses to cut the Office of the President even more?

15-00:07:41

Kennedy:

Well, I think—first of all, I didn't do the systemwide budget. I only did the Office of the President budget. Larry Hershman and Bill Baker were responsible for the system budget. But I certainly sat through lots of meetings where we discussed budgetary issues and reductions, with the president, with chancellors, in Council of Chancellors meetings and the like. I always think that the campuses feel that the president's office is too big and too bureaucratic, and that it could be a lot smaller and a lot more efficient, and it probably could be. I don't recall any specific pressure. I think it was extraordinarily important that the president's office took their share of the reductions, at least their share of reductions, and in a sense set the leadership for the system. But in general, there was a feeling that the president's office should be reduced.

15-00:08:50

Lage:

Now, you came from the campus. I think we've probably hit at this from many directions, but we'll hit at it again: you had the point of view you've just described, when you were at the campus.

15-00:08:59

Kennedy:

I did, I did.

15-00:08:59

Lage:

Now, having been at the president's office for that number of years, is it too bureaucratic and too—?

15-00:09:05

Kennedy:

[laughs] Well, I think that there is a definite role for the Office of the President. I think it is important and has been important to the success of the University of California as a system, as perhaps the premier public education system in the country, if not the world. Could it be done more efficiently? Are there ways in which the division of power, labor, if you like, could be different so that the president's office was smaller and more responsibility to the campuses? I think the answer is yes.

But as we've talked before, there's always the issue of the president's office trying to provide, in one sense, isolation for the campuses, so they can go about their business of educating students and doing research and public service, and in the medical, delivering health care, and so forth. So the president's office in effect acts as a bit of a sponge in that it deals primarily with the regents and with the legislature and takes on a lot of issues that the campuses then don't have to take on, and there's a price to be paid for that. It takes people, it takes effort, and because we have nine, now ten, campuses, and three laboratories, and a big agricultural program, there are differences of opinion. One campus may believe that we should go in one direction, and another campus may believe we should go in another direction, and it's up to the president to sort that out and make the decisions and point the institution in the direction that he thinks or she thinks is best for UC as an entity.

So we tried, I tried in my own arena, to make things more efficient and to better define the interface between the Office of the President, particularly in business and finance, and the campuses, so that there was less ambiguity and less inefficiency. Were we successful? I think yes, we were successful in some regards, but it's a work in progress. I don't think it will ever change in terms of that tension and feelings on the part of the campus that they should have more and OP should have less.

And it's kind of interesting, because if you look across the campuses from a management and administrative point of view, each campus has its strengths and its weaknesses. Sometimes it's by design; that is, a campus decides that it does or does not want to spend its resources in certain areas. I may have mentioned some examples—it's like real estate. Some campuses do that very well, and it would be appropriate to delegate a lot of authority and responsibility to a campus that has hired the right people who have the right experience in the real estate area. On the other hand, some campuses have decided that that's not important to them, and they put virtually no money into hiring people. There are people there who think they can do real estate deals, but I would be concerned about delegating authority and responsibility for fear that they're going to get themselves or the university in difficulty. So it's not even across the ten campuses, or nine campuses when I was there.

15-00:12:43

Lage:

Now, tell maybe a little more specifically about that. Then would you be able to actually make the delegation of authority to certain campuses—

15-00:12:51

Kennedy:

Yes.

15-00:12:52

Lage:

—but say, “No, we can’t delegate it” to this campus?

15-00:12:54

Kennedy:

Yes. There were differential delegations to the campuses. Some of them were formal, meaning a piece of paper described—and particularly in tech transfer, we actually worked very hard to put agreements in place with each campus that described, these were five-year agreements that described the division of labor between the central Office of the President technology transfer office and the campus technology transfer office or activity. Some of it was informal. In the real estate area, it was more informal than formal. We just allowed certain campuses to do things that other campuses couldn’t do.

15-00:13:34

Lage:

Even though they might have thought they could do them?

15-00:13:36

Kennedy:

Yes, even though they might have thought they could do them.

15-00:13:38

Lage:

Is there any—can you say specifically the kind—to give an example so—

15-00:13:44

Kennedy:

Well, I’ll use San Diego, my home campus, as an example. When I was vice chancellor at San Diego, I actually hired an individual to be the real estate officer for the San Diego campus, because we were doing a lot of leasing of space, we were buying and selling property, and I thought we needed somebody full-time to carry out those responsibilities. So we were willing to put the resources to recruit, and I recruited a very good person who had been the vice president of the Harvard Real Estate Corporation, which is a subsidiary of Harvard University. She came here, I can’t remember when, some time in the eighties, and her responsibility, her portfolio, was to worry about the buying and selling and development of property that the university owned, and she worked out a relationship with the real estate people in the Office of the President. At that time, that was part of the treasurer’s office, because the treasurer then had the responsibility for buying and selling and leasing of real property in the university.

[sound quality gets lower] But she worked out a relationship with those folks that allowed her to do certain things that she knew they would approve, because they had confidence in her because of her experience and background and because of their relationship. Other campuses I think had experiences of not doing it so well, and so there was a much higher level of review and requirements placed on that campus.

And this went on all the time in various areas. Same thing in the indirect cost area, which I guess we may talk more about later, but again, when I was here in San Diego,

because this is a very research-intensive campus with a lot of federal research dollars, I felt it was really important for us to have someone on our staff who had the expertise in development of indirect cost rates. The system let me do that, and we worked together, but we did most of the work. Other campuses, that was done by the system people, because the campus either A, didn't have a big enough program, or B, didn't feel like they wanted to make the investment. For us, we felt it was important, because we felt our overhead rate was low, and that there was room for it to increase, which meant more dollars coming back to the campus in recovery, which was very important to sustaining the operation down here.

So there was an awful lot of give and take, and in some cases, people were very pleased that we delegated, and in some cases, people were very unhappy that we didn't. We had lots of discussions about that. But I always felt that to the extent that we judged a campus to be capable of taking on a responsibility, that we should delegate as much as we can to that campus, within general policies. But someone had to make a value judgment, and that was my job and the people that worked for me, and we didn't always have agreement in those value judgments.

15-00:17:13

Lage: Would you be held responsible for something going awry on one of the campuses in risk management or real estate or—

15-00:17:22

Kennedy: Well, yes, of course.

15-00:17:21

Lage: Because you've had—

15-00:17:24

Kennedy: It was my overall responsibility. I mean, if something went awry—I'll give you a concrete example. I can't remember the dates, but some time in the late nineties, there was a major defalcation at the San Francisco campus.

15-00:17:41

Lage: Defalcation?

15-00:17:41

Kennedy: Someone who was misappropriating funds. Basically they were stealing money. They had come up with a very clever scheme, and I don't remember all the details, it doesn't matter, but over a period of a couple of years, they actually had stolen just a little bit less than a million dollars. It was mainly money coming in to the medical arena at UCSF, into the medical practice plan arena. When that was uncovered, and we dug into it, we discovered that there was very poor financial controls in place at UCSF. I caught lots of hell from the regents about that, from the audit committee and from individual regents, because it was my responsibility to provide the oversight of that financial operation at San Francisco, and because it didn't happen, I was judged to not be doing my job. So yes, I was held accountable when something went bad at a campus.

15-00:18:53

Lage: Did you feel responsible? I mean, did you feel like you should have been more on top of this?

15-00:18:59

Kennedy:

Well, I mean, again, it's a balancing act. You need to put the right things in place to give yourself assurance that things are going well, but you cannot review everything that goes on at a campus. You can't review everything that goes on in the president's office even. So there has to be priorities in terms of how you spend your oversight resources, whether it be internal audit or oversight by your managers of campus operations or what have you. Developing those priorities, yes, sometimes you're going to miss. Sometimes you're going to think something is working when in fact it's not.

The same thing is true at the labs. We had a major finding at the labs about bank reconciliations which were not being done in a timely fashion. And while in the end, there was no loss of any money, it was very bad business practice, and it left the lab vulnerable for someone to take advantage of that. Fortunately, they didn't. When that was discovered and became known, I caught hell again from the board for not providing the appropriate oversight for that operation.

So you know, there are these judgments that you have to make about where you're going to put your emphasis. And sometimes external forces steer you in a direction, because there's pressure or because there's activity externally to the university. Tech transfer is a good example of that, and we spent a lot of time talking about that. When I first went up there, that operation was under a lot of fire by the state and by business and legislators and so forth, so I felt the urge to spend a lot of time digging into that. Well, while I was doing that, there were other things that I wasn't digging into. So you have to—you give it your best shot, and sometimes you're right, sometimes you're wrong.

15-00:21:08

Lage:

And then how do the—just take that UCSF incident as an example—do you then step in and really—

15-00:21:17

Kennedy:

Yes, yes, we did step in.

15-00:21:18

Lage:

And how do they feel about it on the campus?

15-00:21:20

Kennedy:

Well, I mean, I think in the one sense, they resent it, but in the other sense, they're not in a position to object at that point. We did send in our systemwide internal audit folks as well as people from the finance division to go in and look at what was going on and to put new practices in place. The campuses again, and people—we all think we do our jobs very well, so we have egos, and we resent someone outside coming and telling us what to do. When I was on the campus, I didn't like Ron Brady or Bill Baker or someone in the president's office telling me what to do. I may have been a little more reserved about it than other vice chancellors, but—. But you feel you're doing a good job, you know what's best for your campus, you know how to manage your portfolio, and when someone tells you that you don't, or heavily scrutinizes what you're doing, there's obviously a bit of resentment.

But this balance of—I think I've said this a couple of times—the greatness of the University of California in my head is that the campuses are all very unique, they're very different from a cultural point of view, but they recruit and retain superb faculty

and they do excellent research, and they do magnificent teaching, and the system provides in a sense a little bit of cover, a little bit of an umbrella, a shield, so the campuses can focus and concentrate, as if they were almost independent entities. The price that you pay for that is you've got to satisfy the Office of the President on certain issues, and follow certain policies and rules that you may otherwise might not like very much.

There's a great term that the campuses would always accuse particularly me of coming up with what they called unfunded mandates. I'm sure you've heard this. We put some policy in place which the campus has got to adhere to which costs them resources, because they've got to hire someone or they've got to divert someone's attention from some other responsibility to take this on, and we don't provide the resources to do it.

15-00:23:49

Lage:

Sounds like a federal-state relationship.

15-00:23:51

Kennedy:

Well, it is, yes. The federal government passes laws, the state has to implement them, but the feds don't give any money for that purpose. Same thing is true in the president's office. There were some cases where it was the carrot and the stick: we put some money out there. When we put the controller initiative in place, I did get some money and allocated it to the campuses. It wasn't enough to do the job completely, but it was enough to help them recruit someone as a campus controller, and get started on that initiative. But there were many times when you just couldn't do that. There wasn't money available, or it wasn't a significant enough issue that you were going to suddenly devote a lot of resources to it.

Another area that worries me even as we speak is the whole issue of compliance with federal requirements. That's something that I took on right at the tail end of my tenure and actually finished it after I stepped down—

15-00:24:58

Lage:

Now, what does that mean?

15-00:24:59

Kennedy:

Well, the University of California receives a huge amount of federal dollars every year. Every time you receive federal dollars, whether it be contracts and grants or student aid or whatever, the university agrees to a whole series of federal requirements: regulations, laws, everything from Americans with Disabilities Act to drug-free workplace to nondiscrimination, time and effort reporting for people who are on federal contracts and grants, animal welfare, human subjects—it just goes on and on. There are something like 150 of these that are basically attached to every agreement you have with the federal government. If you don't adhere to those, then you are vulnerable for audit disallowances; for penalties, fines and penalties; and major embarrassment. I again think that some of the campuses do a relatively good job of understanding what those requirements are, those compliance requirements, and meeting them to a large extent, although again, it's a matter of resources and you can't possibly do everything at 100 percent reliability, because it would sink the place from a budget point of view. But assessing the risks and putting appropriate resources in place. Other campuses I think don't really understand those requirements and have not really—

- 15-00:26:40  
Lage: Is that the smaller campuses that don't have as many federal grants?
- 15-00:26:42  
Kennedy: Not always the smaller campuses.
- 15-00:26:43  
Lage: You're so vague about "other campuses" and "some campuses"!
- 15-00:26:45  
Kennedy: Not always the smaller campuses. [laughter]
- 15-00:26:49  
Lage: You don't like to name campuses.
- 15-00:26:50  
Kennedy: Well, I'm not sure—I mean, in a sense, it doesn't matter. The point is that there are these differences, and when we did the compliance review, we made a very strong recommendation that, one, that there be a systemwide compliance process and someone responsible for compliance put in place, in a sense an overseer. And secondly, each campus needed to have someone designated as a compliance officer. That was three years ago that those recommendations came out, and to the best of my knowledge, that has not happened across the board. I think in some cases, it has, but I think--
- 15-00:27:40  
Lage: Because it wasn't a funded mandate.
- 15-00:27:41  
Kennedy: Well, it was not a funded mandate, it was an unfunded mandate, and again, we caught a lot of flak from particularly the vice chancellors for academic affairs and some of the deans, because a lot of this falls into academic oversight as opposed to business and finance. And quite frankly, one of the biggest mistakes that I made was in my report to the president, I recommended that responsibility for this rest with the provost rather than the senior vice president for business and finance. And again, the reason I did that was because you were trying to affect academic and faculty behavior in a lot of these areas, and having it as a part of the business and finance portfolio didn't feel quite right to me. On the other hand, three years later, I don't think anything's really happening.
- 15-00:28:35  
Lage: So you don't think the academic side maybe is quite as attuned to these possible dangers.
- 15-00:28:39  
Kennedy: Well, I think they recognize the issues; I just don't think they've made it a high enough priority, and I think—there are lots of examples around the country, the most recent one, I think, at the University of Minnesota, where they just paid back millions of dollars to the federal government because of compliance issues. And I think it had to do with human subjects, and so the government basically fined them and took back a bunch of money.
- 15-00:29:06  
Lage: That should be a wake-up call.

- 15-00:29:09  
Kennedy: Given the breadth of the University of California program and the billions of dollars of federal money that we get, it wouldn't take much of an incident, or a whistle-blower—a lot of these come out of whistle-blower activities—to have a major audit of the university. It's happened during my tenure, we had one.
- 15-00:29:31  
Lage: You did, where the federal government came in and looked at all this?
- 15-00:29:32  
Kennedy: Yes, yes.
- 15-00:29:33  
Lage: And did they find problems?
- 15-00:29:34  
Kennedy: In this particular case, no. There was a whistle-blower—I was going to cover that a little bit later—but there was a whistle-blower actually in my own office, or one of the offices that reported to me, who felt that we were inappropriately utilizing federal dollars for graduate student stipends, and that there was an inappropriate tax treatment of those stipends, and so he was a whistle-blower, he—
- 15-00:30:09  
Lage: Did he first come to you, or to his superior?
- 15-00:30:10  
Kennedy: No, he went directly, filed a Qui Tam suit in which--
- 15-00:30:20  
Lage: And what is that?
- 15-00:30:18  
Kennedy: It's a Qui Tam, it means in the name of the king, and it's under the—I can't remember the name of the law, but it's a fraud act that goes all the way back to the Civil War, I think. The person that files that suit files it on behalf of the government, and if the government thinks the suit has merit, the government can take over the suit. The individual that filed it is called the relater, and if the government has findings and recovers funds, the relater gets a piece of the action. So there are lawyers around who specialize in this, they work on a contingent basis and they take these on. Doesn't cost the relater anything to get a lawyer to do this; they file a suit. If the Department of Justice or whoever takes it on, decides to take it on, and there's a big finding, millions of dollars, the relater and their lawyer can end up getting millions or hundreds of thousands of dollars.
- 15-00:31:26  
Lage: When was it filed? Under which administration?
- 15-00:31:29  
Kennedy: Well, it was when I was—
- 15-00:31:30  
Lage: But I mean there—

- 15-00:31:31  
Kennedy: Atkinson was president.
- 15-00:31:33  
Lage: Was it the Clinton or—
- 15-00:31:35  
Kennedy: Yes. But I don't know that it matters which administration was in place. It was investigated, but the government didn't pursue it as a case. Now, the relater can pursue it if he or she wants to, whether the government does or not, but it's very expensive to do that, and most times, if the government decides there aren't findings, it's dropped, and in this case, it was dropped.
- 15-00:32:02  
Lage: And what was the charge? That—?
- 15-00:32:04  
Kennedy: That we were inappropriately charging for graduate student salaries against contracts and grants, for work performed—
- 15-00:32:13  
Lage: For work they weren't performing on a grant?
- 15-00:32:13  
Kennedy: The claim was that they were not performing the work that they were supposed to or putting in the hours that they were supposed to, and that there was a taxability on some of these stipends. So it was really two-prong: one, it was with federal agencies, like NIH or whatever, and other federal agencies that provide contract and grant funds, and then in turn pay graduate student stipends; and then the IRS got involved in it—
- 15-00:32:40  
Lage: On whether the graduate students needed to pay income tax?
- 15-00:32:42  
Kennedy: On whether it was taxable, and it was a case that was watched very carefully nationally, because if there would have been findings, it would have had an impact across every major research university in the country. And it was a big deal, because we spent—I think we were at it about a year and a half. We had to hire outside counsel. I had a full-time person devoted to just looking after this particular issue.
- 15-00:33:08  
Lage: And looking into the actual practices on the campuses, is that right?
- 15-00:33:11  
Kennedy: Well, we don't spend any of that money in the president's office, so it was directed at the campuses, yes. And the investigators visited a number of the campuses and interviewed faculty and graduate students and administrators, and in the end, they decided that our practices were appropriate. The IRS decided that there was not a tax issue.
- 15-00:33:33  
Lage: So the graduate students don't—this isn't considered income for them?

15-00:33:35  
Kennedy: Well, I don't remember all the details, but it has to do with whether this is a requirement of their educational experience. If it is, a certain amount is tax-exempt, and that was the IRS issue. The IRS decided that we had not done anything inappropriate.

15-00:33:58  
Lage: Now, what happened to the relater, or the whistle-blower?

15-00:33:59  
Kennedy: As far as I know, that individual still works in the Office of the President. I'm not certain of that, but I think so. Once a person like that has whistle-blower status, there is not much we can do about it, because they're protected.

15-00:34:14  
Lage: And they do—it is a legal status?

15-00:34:15  
Kennedy: Yes, yes.

15-00:34:19  
Lage: But it may affect the way people work with them?

15-00:34:21  
Kennedy: Yes, it may.

15-00:34:22  
Lage: Can they be reassigned, or—?

15-00:34:24  
Kennedy: I think one has to be careful that there is no retribution against an individual, which wouldn't be appropriate, obviously. Or an interpretation of retribution because someone blew the whistle.

15-00:34:39  
Lage: Did you feel that the person may have sincerely felt there was wrongdoing, or do you think they were—?

15-00:34:44  
Kennedy: I personally think that they were looking for a way to make some money. But I—I never talked to the person, so I don't know. Once they had declared whistle-blower status, it was not appropriate for me to talk to them. I don't think I ever met the individual.

15-00:35:01  
Lage: Well, I can see how that would just be—you couldn't even think of the number of ways you could not be in compliance.

15-00:35:09  
Kennedy: Yes.

15-00:35:09  
Lage: There are so many requirements.

15-00:35:11

Kennedy:

I mean, and again, to meet every federal requirement with 100 percent precision is probably not possible, because it's a human endeavor and people make mistakes. But just from the resource point of view, it would be very difficult. But some are more critical than others, like things like human subjects protection is terribly important, always has been, and I think in general the campuses do a very good job. And conflict of interest is another area where there's a lot of focus these days.

15-00:35:50

Lage:

Now, what would that be?

15-00:35:52

Kennedy:

Well, if you have federal dollars, and there are intellectual property issues, a faculty member goes out and has some kind of a relationship, say, with a drug company, and he's doing research that could result in that drug company's products getting a good review or a bad review, there are all kinds of conflicts that can come of that. And there are rules in place to look at those potential conflicts and make judgments. Each campus has a committee, conflict of interest committee, that looks at that. And again, that's a very high-profile, very important issue, and I think the campuses in the main do a very good job of that. There are other areas which people may not feel are quite as important. Every ADA requirement, you know, which is important, but perhaps some people view as not as important as others.

Another area where I think most universities are probably vulnerable is in the area of time and effort reporting, where faculty who get salaries on contracts and grants are supposed to keep track of their effort and report it.

15-00:37:09

Lage:

You mean the number of hours, or percentage of time?

15-00:37:10

Kennedy:

Well, percentage of their time, and it can't exceed 100 percent, and so forth. I'm not sure in general universities' practices in those areas are up to the level that one might expect. If you had a major audit in an area like that, it could result in major disallowances. It could result in major embarrassment.

15-00:37:38

Lage:

I guess I'm not quite certain what it is. It's the amount of time you spend on the grant versus the amount of time you teach?

15-00:37:44

Kennedy:

Well, let's say that I have an NIH grant, and in my proposal I said I'm going to devote 25 percent of my effort to that activity, and I would like the grant to pay 25 percent of my salary. And so I receive the grant, and I'm doing the research, but I'm only putting in 10 percent of my time. Or, say, I have an NSF grant and I'd like the NSF to pay my salary during the summer, when I'm not on the academic salary, and so I get summer salary, and I go off and take a vacation for a month when I'm supposed to be working for the National Science Foundation grant. That's the kind of thing that one has to worry about. I'm not saying it's widespread that that would happen, I'm just saying that—

15-00:38:31

Lage:

But it's probably widespread that the faculty don't keep good records.

15-00:38:35

Kennedy:

They don't keep good records.

15-00:38:36

Lage:

What about animal rights issues? Did that change over the period of time you were—

15-00:38:42

Kennedy:

Well, it's gotten more difficult to manage, yes. In terms of—

15-00:38:46

Lage:

Are those written into these federal requirements?

15-00:38:48

Kennedy:

Oh, yes, there are regulations in the use of animals in research, and there are committees that review the use of animals just like humans. It's gotten a lot more strict. I mean, years ago, I was responsible for the animal facilities on the San Diego campus when I was in the medical school. In a sense our measure was a national association—I'm trying to remember the name of it—of animal facilities, and we were accredited periodically. So they would come out and there would be, like an educational accreditation, they would spend days looking at your facilities and looking at your records and looking at your animals and talking to faculty and so forth, and if you got accredited, then you were in good stead for some period of time, but usually, there were findings. You know, your cages were too small, or your facilities weren't clean enough, or your records weren't quite up to speed, and then you'd have to put improvements in place.

That was accepted for many years as the standard, but then later, the federal government got involved in passing laws and regulations that now have to be adhered to. So in addition to accreditation, you have all these federal mandates in the animal realm. It's a tough area.

15-00:40:16

Lage:

Yes, I would think so, and a lot of public scrutiny of it right now.

15-00:40:20

Kennedy:

You know, the other thing—I'm going to change subjects on you here—the other thing that I wanted to mention with reference to my role in the president's office as the chief administrative officer was when I first went up there, the morale in the president's office was really quite low. This was in June of '93, and Peltason had become president October of '92. There was still a lot of scrutiny of the Office of the President by the legislature and the state auditor and the press, and the place was kind of under siege. I think people were very tired of being accused of all kinds of bad things. It wasn't just at the senior level; I mean, it went all the way down through the whole president's office.

So one of the early efforts was to try and improve morale. There was a feeling on the part of the rank and file that they were not really informed about what went on in the president's office, and that the bad image of the president's office was being reflected

on them, although they really had nothing to do with the issues that were being scrutinized.

15-00:41:41

Lage:

And they didn't get any executive compensation, either.

15-00:41:44

Kennedy:

They didn't get any executive compensation, they weren't getting any raises because of the budget situation. There were years when we had salary reductions, at least temporary reductions. So just in general, the morale was very bad, and so we really tried working with the HR people to try to figure out ways to sort of open things up and have better communications. So some of the things we started to do was, for example, periodically we would have a meeting in which particularly the president and the provost, who was Walter Massey at the time, and I would meet in an open meeting with the staff in the cafeteria of the Kaiser building, and people could—we'd make some brief presentations to try and make people feel like we were trying to share, and we were trying to share with them, information about what was going on, but then to be available to respond to their questions. And I think that helped a great deal. We tried to get out written communications.

15-00:42:45

Lage:

What kinds of things did they need to know about that they didn't—felt were kept from them?

15-00:42:48

Kennedy:

Well, all their information was coming from what they were reading in the newspapers. And that was all negative, and that was all bad, conflict—you know, in our tech transfer office over Harbor Bay, and the retirement packages, and things were being leaked out of the president's office—I mean, there were no secrets at all. I mentioned the taping of that COC meeting, that got in the newspapers, in which we were talking about executive-type salaries for a new vice chancellor at one of the campuses, and President Peltason had made a remark about a legislator that I don't think was mean-spirited at all, I think it was kind of taken out of context, and he got in a lot of trouble. So there was just all of this kind of flowing around, and it was just all negative, and there was nothing positive.

So the idea was to say, Hey, look, we're new, we're here to try and fix all of this, we're the repair team. And we want to have open relationships with the staff, we want you to know what's going on, and we want to be able to respond to your concerns and your questions.

15-00:44:00

Lage:

So what kind of questions did you get? Do you remember?

15-00:44:02

Kennedy:

Oh, well, people would read the newspaper stories and they'd ask us whether some of these things were true or not. There was a lot of issue about early retirement programs, and a lot of issue about budgets and layoffs and raises, were we ever going to get a raise again. People were just threatened, and so they wanted some assurances that the world wasn't coming to an end. So we just tried to do that.

And it's very difficult in a corporate environment like UC to have good communications with the staff—there's not a lot of rallying points. At a campus, there's a lot of pride in the academic program, somebody gets a Nobel Prize and everybody can sort of relate to that. Gee, I'm part of the campus; in some small way, I may have contributed to that. Or we had the best entering class ever, and in some small way—. In the president's office, there's no students, there's no faculty, we're just up there kind of managing the enterprise from a corporate point of view.

So I think part of the problem was people tried to put programs in place that were like campus programs, and it wasn't a campus. It's a corporate headquarters, whether you like that term or not, it's true. There's no bookstore, there's no—you can't go to the Faculty Club and see people and chat with them—

15-00:45:32

Lage:

And people, when they were in Berkeley, had felt more of that campus setting.

15-00:45:37

Kennedy:

Right, and here we were, sitting on Lake Merritt in downtown Oakland, ten miles from Berkeley, sort of isolated, and very much--. So one of the things I tried to do was to get our HR people to think about corporate kinds of morale programs rather than campus kind of morale programs. Because most of us came from campus environment and campus experience. It was hard for people to do that.

15-00:46:04

Lage:

So what did they come up with?

15-00:46:05

Kennedy:

Well, they came up with—one was just better communications, both written and—we started sending out a lot of emails that were directed at the staff in the president's office on a regular basis to inform people. We had those meetings periodically. Each of the vice presidents started meeting with their immediate group of staff. I used to meet with mine on a quarterly basis and just make presentations and open it up for Q and A and so forth. Tried to make the senior leadership more visible. Got in the habit of, when I had meetings, rather than have one my managers come to my office, I'd go to his or her office. Not that it made that much difference to the individual, but to walk through those offices and have people say, Well, there's the vice president, he really does wear pants or whatever--

15-00:47:01

Lage:

No horns.

15-00:47:03

Kennedy:

Yes, all those things are important. People need to know that you're sort of a regular guy. That was kind of a different style than was in place I think when Gardner was president, and Brady and—

15-00:47:19

Lage:

Brady had raised a lot of hackles, I understand, among the staff.

15-00:47:22

Kennedy:

Well, I think—look, I’ve said this before, and I have great admiration for Ron. I think he did a lot of wonderful and creative things while he was vice president, and I had, I think, a good—from my point of view, I had a good relationship with him, in the main. But I think people did view him as somewhat arrogant, and he did have a style that was not as people-friendly as perhaps it could have been. But that was his style, and mine was different. I was more inclined to—I mean, one of the things I did, for example, I had brown-bag lunches, and over a period of a couple, three or four years, I think I may have had lunch, I don’t know, with several hundred people.

15-00:48:16

Lage:

Now, how did that work? In the cafeteria?

15-00:48:19

Kennedy:

No, no, in the conference room like this. And it was limited to eight or nine people, because I wanted it to be sort of intimate. There were basically only two rules: one was we had an hour, because I was busy and everyone was busy. Secondly, you brought your own lunch. We provided cookies and coffee. And finally, no one that reported directly to me could participate. So it had to be at least one level below my direct reports. People would sign up, and I’d have one maybe once every month or three or four weeks, whatever, and they were kind of interesting. You got some real insight into what people were thinking. Some good ideas came out of it.

15-00:49:08

Lage:

Was it mainly talking about the president’s office, or about the affairs of the day?

15-00:49:11

Kennedy:

It was kind of random. I remember one meeting in which someone who was a big advocate of unionization tried to hog the meeting, and all he wanted to talk about was union stuff. I finally, after about fifteen or twenty minutes, I said, “Look, we’re not going to talk about that any more, and if that’s unacceptable, you can take your lunch and get the hell out of here.” Well, I think the other eight people around the table were absolutely shocked, but I mean, it wasn’t fair to them, and I had responded in a nice way to his questions, but he kept sort of pushing. And finally, I just said, “Look, enough.” And he shut up. He didn’t leave, but he shut up. And I’m sure he went back and—

15-00:49:59

Lage:

Well, that’s a pretty strong statement.

15-00:50:00

Kennedy:

—and spread the word, that I got—[laughs]

15-00:50:06

Lage:

And do you think the other people appreciated it?

15-00:50:07

Kennedy:

Well, I think they—there was a little bit of a pause and silence in the room for a few minutes, but I think they were relieved, because they had issues they wanted to talk about, and this individual was kind of driving the agenda to a large extent. And I didn’t ask for questions in advance or anything. It was completely just open and what—

15-00:50:29

Lage:

But people came, it sounds like, with something of an agenda.

15-00:50:31

Kennedy:

We always had a full house. If we had eight chairs around the table, we had eight people. Now, after a while, a few people would come a second time, but that was fine. As long as there was room. And I kind of enjoyed it. I thought it was fun.

15-00:50:44

Lage:

Sounds like a good way to get at—

15-00:50:46

Kennedy:

It sort of gave me some insight into what people's issues, what their concerns were. And then I would take some of that feedback and relate it back to my managers, particularly people in HR, because it was good insight into sort of what was going on.

15-00:51:03

Lage:

Do you think morale improved?

15-00:51:06

Kennedy:

Yes, I think it did. I think it's sometimes hard for people in the president's office, particularly if you get a few layers down, to understand sort of what the role is. I mean, what are we here for? What are we really doing? Again, we don't teach, we don't do research, we don't have patients, we don't do a lot of public service, we don't raise money. We're here basically shuffling papers or whatever. So to try to explain to people what that role is and sort of what the division of labor is between the Office of the President and—and the value added that we thought the president's office brought to the table. I mean, we're not just there to be bureaucrats, we're there to play, I think, a valuable role, again to in a sense free the campuses up from a lot of stuff so that they can carry out their major responsibilities, and to represent the university as a system, which again I think has been very valuable in the excellence of the University of California.

15-00:52:16

Lage:

And you had to explain that to your own employees as well as to the campuses?

15-00:52:18

Kennedy:

Sure. Well, and just think: some people—I mean, those of us who came from a campus kind of understood it, even though when I went up there, I must admit, my views changed, because I kind of thought all campuses were sort of created equal, and in fact, that's not the case. I sort of thought I understood what you did in the president's office, but that wasn't quite the case. But if you never worked at a campus and you were just hired off the street to be a mid-level manager in, I don't know, whatever area, admissions or procurement or whatever in the president's office, and you don't have a lot of exposure to the campus, you've got to wonder what's this all about. What are we doing?

15-00:52:59

Lage:

That's right, you wouldn't have that sense.

15-00:53:01

Kennedy:

The other thing we tried to do was to introduce some exchange programs, if you like. So to have some people from the campuses come up and spend some time in the president's

office, maybe six months or whatever, and have some of our people go down and spend some time at the campuses. That was not easy to do because of family situations. People were reluctant to leave their families to go from the Bay Area to Los Angeles or something for six months, but occasionally. And there were a lot of meetings of campus people at various levels. I met with the vice chancellors for administration and business on a regular basis, once every month or so.

15-00:53:45

Lage:

Up in Oakland?

15-00:53:47

Kennedy:

Well, we moved them. Sometimes we met in Oakland, sometimes we met down at the campuses. Quite frankly, most of the vice chancellors preferred to meet in Oakland, because they could come and they'd have other business in the president's office. We might meet for four or five hours, and then they had before or after to deal with some of their issues, specific issues they had with various people in the president's office. But we met on, I think, probably every campus during my tenure. I liked to go visit the campuses, because it gave me an opportunity to get down and spend time at the campuses. But those meetings were important in communicating and in sort of understanding what the campus issues were. And the provost had meetings with his counterparts, and the procurement people met, and the contracts and grants people met, the tech transfer people met—I mean, there were all kinds of meetings going on all the time.

15-00:54:41

Lage:

And were these productive meetings where you'd talk about policies?

15-00:54:46

Kennedy:

In some cases, they were policy discussions; in some cases, it was problem-solving; in some cases, it was implementation of some new policy or procedure. It depended on who was meeting and sort of what the issues of the day were.

15-00:55:02

Lage:

Were they as interesting as the Council of Chancellors meetings sound? I mean, with the individuals sort of playing off one another?

15-00:55:10

Kennedy:

Well, you know, when I first started meeting with the vice chancellors, I think the meetings were viewed as very productive because I had, again, a different style than Ron Brady had. Mine were more collegial and more sort of give-and-take kinds of sessions, where my recollections of Ron's meetings were more he and his people presenting to the vice chancellors, and not as much give-and-take and as much interaction. So I tried to open that up, because I was a colleague. I was a vice chancellor.

15-00:55:54

Lage:

Right, you'd come out of that—

15-00:55:53

Kennedy:

I just happened to have a sweatshirt that said "vice president." So I wanted to remain a colleague. I didn't want to have people feel that, Oh, now he's vice president, there's a different relationship. And I think for the first few years, I think that worked reasonably

well, and somewhere along the line, I think the vice chancellors were less satisfied with those meetings. I've never quite figured out why, and maybe they became more—I'll use the word dog and pony shows—than they should have been. But there seemed to be less interest in them, and at one point, Wendell Brase, who is the vice chancellor at Irvine, suggested that they have more of a role in actually the agenda.

Now, I have to contrast that with the provost meetings, where the provost in a sense was an invited guest of the vice chancellors for academic affairs, and each year, one of the vice chancellors was the chairman of that forum, and they would set the agenda.

15-00:57:08

Lage: A very different setup.

15-00:57:09

Kennedy: Very different. Whereas we asked for input from the vice chancellors. You know, We have a meeting coming up in three weeks, what would you like to have on the agenda? But we sort of arranged the agenda, and it just seemed to be more efficient to do it that way. And I couldn't quite frankly see that much of a difference, once we—

15-00:57:27

Lage: So you did switch over?

15-00:57:27

Kennedy: We did switch over, sort of towards the tail end of my tenure, and we decided, Look, let them try. If that's what they want to do, it's fine.

15-00:57:38

Lage: Did you do the same procedure of having one vice chancellor—

15-00:57:41

Kennedy: Well, Wendell sort of became the titular head of that, because he had suggested it. The problem was that things were not happening on a timely basis, so we'd get right up to the meeting and there wasn't an agenda, people weren't prepared, and yet they're expecting us to make presentations and develop material and so forth. Well, you can't do it one day before the meeting or two days before the meeting. So there was a little bit of frustration on the part of my people, who were being asked to respond to some of these agenda items at sort of the eleventh hour. That wasn't really fair, but we didn't make an issue of it. I don't know how they do it now. Of course, I haven't been there in almost four years, three and a half years, so I don't know whether they're still doing that or whether it's back to having the vice president determine the agenda with input from the vice chancellors. And it's personalities, and these things change over time. There are new people who come in.

Another big issue I remember was, I had a rule that there can only be one person from each campus—

15-00:58:48

Lage: At the meeting?

15-00:58:48  
Kennedy:

At the meeting. Well, if you look at some of the campus organizations, some of the things in a broad sense that I had responsibility for were divided between two vice chancellors. The reason that I had that rule was that my concern was that if I opened it up, we were going to suddenly have three or four representatives from every campus, and that it wouldn't be a productive meeting. So I basically asked the chancellors to designate whoever they thought was the appropriate person. In some cases, it was very easy, because the responsibilities mimicked my responsibilities in the main, but in other cases—San Diego is a good example—when I left, my position was basically abolished and divided into really three parts—well, two parts, in a sense—and so there were two people down here who had a piece of the action, and yet I said only one could come. I told Dick Atkinson, who was chancellor at the time, that I didn't care who it was, but just one person. The person that came was John Woods, who worked for me before I left, and Steve Relyea, who was the other vice chancellor who has a big piece of those responsibilities, obviously wanted to come, and John every once in a while would appeal to me, and I'd say, "Look, if you want Steve to come, it's okay with me, but you both can't come."

Towards the end, I relaxed that a little bit, but again, I was concerned—it would not have been as good a meeting if there were thirty people as opposed to nine.

15-01:00:24  
Lage:

Right. But on the other hand, not having some of those people at the table would seem to make—

15-01:00:30  
Kennedy:

Well, we made it the responsibility of the individual who did represent the campus to get himself up to speed on the issues, and occasionally if it were an issue that required the presence of a Steve Relyea or whoever, we'd invite that individual to come. I mean, we weren't that absolute about it. I also had at least part of the meeting with just the vice chancellors, so there was just the nine vice chancellors and me, and then later, after sort of an executive session, so if they wanted to say, "One of your people isn't doing a very good job," or—there was an opportunity to have a private discussion, and then I would invite my senior staff to come in who may have been making presentations or responding to issues. So always the give and take, though; it's not constant.

15-01:01:25  
Lage:

Yes, it's an interesting explanation of this system. It is complicated.

15-01:01:29  
Kennedy:

Well, you know, the balance in the University of California between what the president's office does and what the campuses do is never going to be constant. It's always going to be sort of changing.

15-01:01:45  
Lage:

Did it shift over Dick Atkinson's presidency?

15-01:01:47  
Kennedy:

Yes, I think so. I mean, there was some give and some take. In some cases, the campuses were given more autonomy and responsibility, and in others, when there were issues, we had to sort of wrestle some of it back. When we did the controller initiative,

we had to wrestle some of it back, because what we found was that the campuses were not doing as good a job in the financial control area as we thought they were. We also discovered that financial control in most cases was not focused on one individual but was spread out amongst a number of different individuals and offices, which was not a good idea, because somebody needed to really be responsible. So if something went wrong on a campus, there were maybe six people they had to go after. We wanted one. So there was real tug and pull.

That was kind of a revelation, because I sent a questionnaire out to the campuses that was designed to—and I worked with our external auditor to put that questionnaire together—to really find out who was responsible for financial controls at the campus. I was anticipating I was going to get back in most cases a satisfactory answer, and what I got back in most cases was an unsatisfactory answer.

15-01:03:09  
Lage:

Was it a picture of this divided responsibility?

15-01:03:10  
Kennedy:

Yes. I mean, what it told me was that nobody really felt they were responsible for financial controls, in most cases. That, coupled with some instances like the defalcation at San Francisco and some other things, made us come to the conclusion that we had to put a system in place. We did get some money, and we got cooperation from some and resistance from others. San Francisco resisted.

15-01:03:42  
Lage:

Even though they'd had the problem?

15-01:03:44  
Kennedy:

Even though they had problems, yes. They didn't want to hire, and then they wanted to put somebody in the position we didn't feel was qualified.

15-01:03:50  
Lage:

Oh, so you would look at that?

15-01:03:52  
Kennedy:

We reserved the right to veto the individual in that position. Finally, in the end, I think it was Regent Leach who got on the chancellor's case about it, because Howard Leach was following this, he had a big interest in it, and we were making regular reports to him about implementation of the controller system, because I'd made a presentation to the board—Anne Broome and I, Anne Broom, vice president for financial management and I had made a presentation to the board about implementing this system. Howard was kind of tracking it, and we'd hire somebody, and he'd say, "That's great." San Francisco wasn't responding, and finally I said to him, "We're getting a lot of resistance from UCSF. They want to put their own person in, they don't really want to spend the money." So he got after the chancellor and then things happened real quick.

15-01:04:45  
Lage:

So here's a case of the regents kind of helping you out.

15-01:04:47  
Kennedy:

Oh, yes. Well, sometimes they did.

15-01:04:51

Lage:

Was Regent Leach the head of the audit committee, or why did he have a particular—?

15-01:04:56

Kennedy:

I can't remember. At one point, he was chairman of the audit committee. He was chairman of the board, I think, when I was hired. I don't remember whether he was chairman of the audit committee at that time, but Howard was very interested in the financial oversight of the university and was interested in internal audit, and I think we've talked about that earlier.

15-01:05:18

Lage:

Yes, we did. Well, these are all good examples of this balance, I think. Anything else about that that—or do you think we've covered it?

15-01:05:31

Kennedy:

No, I don't think so.

I guess the other area that I haven't mentioned which I think is worth mentioning is the whole issue of trying to balance the way in which you pay the senior managers of the university, across the system. Again, at the tail end of the Gardner administration, there were all these issues that surfaced about executive compensation, and special benefits going to chancellors and presidents and vice presidents. During that tumultuous period, a lot of those were eliminated. Most of them were eliminated.

But then there's the issue of how do you compensate a vice chancellor for academic affairs at UCLA versus Berkeley, or San Francisco versus San Diego? Should they be paid the same? Should they be paid differentially because the campus is bigger, has broader programs? Should they be paid on the basis of their academic rank, as opposed to some managerial or administrative salary? What about chancellors? How do you compensate chancellors? Is it just whatever the traffic will bear, or should there be some balance across the system? Should the Berkeley chancellor make more than the Riverside chancellor? So all of these things had to be looked at, and it's not just an internal consideration on the part of the administration, because this is something that the faculty is very critical of, high-paid administrators versus low-paid faculty. But it's also looked at externally by the legislature and people who scrutinize the university—the press, and so forth. So you want to have a system that people can understand, one that makes some kind of sense, and one that you can defend, so that you're not accused of just paying salaries that are beyond what's necessary. There's always the comparison of University of California salaries with the governor and the legislature and so forth, because we're a public institution and they're public servants like we are, and why is it that presidents make a lot more than governors make?

So all of these things kind of milling around, and when I went up to the president's office, the program for which the senior-level managers participated in was called the executive program. One of the first things we did is we changed that, just the title, to the senior management group, to get away from, "We're the big executives and the high-paid guys," to more the, "This is the senior managers of the university."

15-01:08:31

Lage:

And this includes the president's office and the chancellors?

15-01:08:32

Kennedy:

The president, the vice president, the chancellors, vice chancellors, and sundry other people. Then we had a committee that was made up of some of the chancellors—Chuck Young, Larry Vanderhoef at Davis was the chairman of it, I can't remember who else was on it. It was advisory to me, because I was the chairman of the senior management group committee and had responsibility for the senior management program. The committee really did a great job of trying to make some sense out of all of this, and we changed a lot of the policies and procedures and tried to come up with a system that was defensible, that people could sort of read it and understand it, that it had a rationale under it, that its basis was being competitive with peer institutions just like with the faculty, and that was—

15-01:09:42

Lage:

So that was the basic thing? Riverside's peer institutions versus Berkeley's peer institutions?

15-01:09:48

Kennedy:

No, it was the system, in a sense, meaning peer with its comparative institutions. And then within the system, there was a convention that had been developed before I went up there, which we thought long and hard about, and in the end decided to continue to use the system, although we tightened it up a little bit in terms of the range, and that was that there were three tiers of campuses. First of all, San Francisco was off the map, because it was a health science campus.

15-01:10:26

Lage:

And that puts all of them at higher salaries?

15-01:10:28

Kennedy:

No. It was just—it was off by itself, compared with a handful of health science campuses around the country, and the fact that chancellors of health science campuses who generally are MDs just demand a higher salary than other senior administrators, and so they sort of put San Francisco off to itself, and it had its own set of comparisons and so forth.

Then there was Berkeley and UCLA as the two big campuses. Then there was the sort of middle campuses—Davis, San Diego, Irvine, who am I forgetting?

15-01:11:18

Lage:

Well, tell the bottom ones, and then we'll—

15-01:11:20

Kennedy:

Well, and then Riverside and Santa Cruz. I've lost a campus someplace. [laughter]  
Davis!

15-01:11:28

Lage:

You said Davis. UCLA.

15-01:11:32

Kennedy:

Well, UCLA and Berkeley were at the top. Then there was San Diego, Davis, Irvine, Santa Barbara.

15-01:11:39

Lage: Santa Barbara—that's who we lost.

15-01:11:40

Kennedy: —were the sort of medium-sized campuses.

15-01:11:43

Lage: And so it was on size?

15-01:11:43

Kennedy: And then there was Riverside and Santa Cruz as the small campuses. The Berkeley and UCLA chancellors were paid the highest level; the middle ones were paid at the middle level; and the smaller campuses were paid at the lower level. The chancellors, some of them thought it was okay and some of them didn't. You can imagine which ones.

[laughter] And some of the regents didn't like the system very much, particularly Sue Johnson, who comes from the Riverside area. She didn't think that it was right that we paid the Riverside chancellor less than we paid other chancellors, and she made good arguments that they have the same breadth of responsibilities. They may have fewer students, but they still have all the same responsibilities, whether it's Riverside or San Diego.

We argued that if we could come up with a better system, we would be very happy to consider changing it. The one nice thing about this system was, it was kind of accepted by the legislature and the leg analyst, and there had been some interaction with the California Postsecondary Education System when that was put into place, and they kind of supported it. So it had a ring of legitimacy, if you like.

15-01:13:11

Lage: People could understand it.

15-01:13:11

Kennedy: People could understand it, even though it clearly had its fallacies. I think the San Diego campus is just as complicated as UCLA. It has a medical center and all the breadth of programs. Fewer students, but—

15-01:13:28

Lage: And Berkeley doesn't have a medical program.

15-01:13:29

Kennedy: And Berkeley doesn't have the medical school, but having said that, the differences were not that great that I think people got too exercised about it.

So that sort of then set the bar for everything else. That was the metric that we used, then, and it kind of tumbled down. Vice chancellors in the main were pegged sort of in the same kind of pecking order and so forth, with some variations on the theme. The problem was that trying to keep a balance, so that there weren't outliers, was very difficult, because if a vacancy came up at a campus for a vice chancellor for academic affairs, they'd go out and recruit, and they'd come up with their candidate, and he or she was already making more than we were able to pay, and there was this big to-do about, Well, if we pay this salary, then what do we do about all the people, all the incumbents? We just can't raise everybody's salary. Over time, we'll try to do that. Periodically, we

would try to get some extra money to adjust salaries, because we got behind the competitors, particularly during bad budget times.

15-01:14:47

Lage:

We're about to run out of time on this, so let's stop right there. We can finish that thought, but not on this tape.

[minidisc 16]

16-00:00:03

Kennedy:

—watch before we—

16-00:00:06

Lage:

Yes, I think so. Okay, now we're recording, just finishing up your thought about balancing the pay.

16-00:00:13

Kennedy:

Just an example of the kind of issues that you get into on pay and benefits: the vice chancellors for academic affairs are all faculty members, so if they decide to step down or are asked to step down even, if they don't get a good review or something, they have return rights to the faculty. They have a tenured position as a professor or whatever. Vice chancellors for business or administration don't. So is it fair to have some kind of a severance pay for vice chancellors for administration, and maybe others, that don't have return rights to the faculty? Well, at one time we had severance pay for everybody; a certain percentage of your salary was put aside, and whenever you left, you got a lump sum payment. We put—

16-00:01:06

Lage:

For whatever reason that you left?

16-00:01:08

Kennedy:

Yes, whatever—I think unless you got fired, I can't remember the details. But if you retired or decided to take another job or whatever, you got your severance pay. It was in a sense a little bit of deferred—it wasn't a lot—but a little bit of deferred compensation.

So at one point, when we were trying to balance all of this, the decision was made to eliminate that for those people who had academic rank, because they had return rights to the faculty and had a tenured position sitting underneath of them. I don't think we ever fully implemented that, and I can recall a couple of cases, and I don't remember which campus it was, but I think it was Berkeley, where they went out and recruited somebody, an academic-type person, and they were having trouble recruiting, and so the chancellor made the commitment for the severance pay, even though he didn't have the authority to do that, because that was no longer supposed to be available. I mean, we didn't take it away from incumbents, but going forward. So we had to agree for an exception. So just all of these little nuances that get brought up when people feel that they're not being treated fairly, or when they're trying to make a case to get a raise or what have you.

16-00:02:32

Lage:

If you hire an academic vice chancellor from off campus, do they get a tenured position?

- 16-00:02:40  
Kennedy: Generally—I don't know, I can't think of any academic vice chancellor that's ever taken an appointment without having an FTE.
- 16-00:02:51  
Lage: So that they then become part of a department.
- 16-00:02:53  
Kennedy: Right. So they have a faculty appointment, and their FTE may be used on a temporary basis for something else while they're vice chancellor, but it's there, and it's reserved for them. I can't imagine an academic vice chancellor accepting a position without having a faculty appointment.
- 16-00:03:13  
Lage: Would these exceptions have to be approved at the regents' level?
- 16-00:03:16  
Kennedy: Well, we had—generally the answer is no, unless it was something really extraordinary. But no, we went to the regents with our policies, and when we changed from the executive program to the senior management group, and put a whole bunch of new policies in place, we took that to the board for their information. I don't think they actually approved it, because the president had the responsibility for the senior management group, but the board had to understand it. So generally, we didn't. Now, appointments had to go to the regents. Any university officer, of which vice chancellors are, have to go to the board for approval. I don't know if they still do, but they did in my day.
- 16-00:04:04  
Lage: But do they look at the terms of—
- 16-00:04:07  
Kennedy: Oh, they look at the salary, and generally, it's the normal benefits, and if there are minor exceptions, they wouldn't be raised; if there were something major, then—I don't remember any of those specifically. And sometimes they'd fuss about, Why are you paying this individual so much money? That was always done in closed session.
- 16-00:04:28  
Lage: Did the academic side complain when severance was removed? Was that a point of contention?
- 16-00:04:38  
Kennedy: Well, it didn't impact any of the current individuals, so I don't remember much of a concern about it. In fact, the chancellors are on the committee and thought it was fair, because they had tenure. We were trying to make it as equitable a system as possible. You never achieve true equity, but you try to make it as equitable as possible. And periodically, when we had to raise salaries in order to maintain some competitiveness and meet what was going on outside the University of California, that was always very contentious. I know we planned for a couple of years to get chancellors' salaries up, because we were really falling behind. That was a really big to-do. I mean, we had all kinds of comparison data, and we made all kinds of presentations to the regents, and finally when we went in for approval, we knew that at a minimum, legislators and the

press would raise hell about suddenly increasing these salaries by 15 or 20 percent. But it was necessary.

16-00:05:54

Lage:

Necessary to recruit, or to retain?

16-00:05:57

Kennedy:

Well, I think both. You want to pay people a fair salary. You want people to feel that they're being compensated adequately. It is a morale issue, in a sense, and when the annual *Chronicle of Higher Education* edition came out with all the salaries in it, and chancellors and others I'm sure were looking to see what was going on around the country, we really were slipping behind. When we went out to recruit new chancellors, they were comparing what we were offering with what Michigan and Harvard and MIT and so forth were offering. So you've got to keep yourself competitive.

And the faculty, we always put faculty salaries first. We always put emphasis on staying abreast of our competitors, and that always had a higher priority than anything, from a budgetary point of view, without question. So the faculty could complain about chancellors and vice chancellors perhaps making what they viewed as high salaries, but it was—they were treated in accordance with the commitments that were made, and that is we were going to stay in the middle of the pack of our peers, and we always put—there were times when we'd slip because of no budget increases or whatever, but boy, as soon as money was available, it went into faculty salaries. There were catch-ups and so forth.

So I think the priorities were correct, but again, periodically you have to be competitive for administrative salaries as well as faculty. I remember one of the real agonizing things for me was when we went with chancellors, whether or not to take the vice presidents in at the same time. That—

16-00:07:52

Lage:

Oh, when you went to raise the chancellors' salaries?

16-00:07:54

Kennedy:

Right. Because vice presidents' salaries had some relationship to chancellors' salaries, and we had slipped terribly too, because we had no raises and so forth. In the end, I decided not to do that, but to just go with the chancellors and the president, figuring since I was the one that had to make the presentation and convince the board that it was the right thing to do, that it would be much more difficult for me to do that if my salary were in there. I don't know whether that was the right thing or the wrong thing. It took two years after that to get vice presidents' salaries up.

16-00:08:29

Lage:

And did you have to make that presentation too?

16-00:08:32

Kennedy:

Yes. Well, I had some help making that one by Judy Boyette, who was my associate vice president for HR and benefits. But it took two years, and so in a sense I penalized myself two years worth of salary, and it even had an impact on my retirement, because I retired two years later, and didn't have the benefit of the higher salary for the three-year averaging period. But I think it was the right thing to do, is to not confuse the two. The

important thing was to get the chancellors' salaries, and sort of everything could flow up to that level later.

16-00:09:09

Lage:

Okay, I think we're at a good point to stop and have some lunch, what do you think?

16-00:09:12

Kennedy:

I think yes.

[end of session]



[Interview 8—afternoon session: March 10, 2004]  
[minidisc 17]

17-00:00:05

Lage: Okay, we're back on. It's after lunch, we're starting a new session, a new tape. It's still March 10. We were going to turn to your role in the relations with the federal government, which includes a number of things, one of them having to do with contract and grant policies. So shall we start there?

17-00:00:38

Kennedy: Sure.

17-00:00:37

Lage: You had mentioned to me earlier that each campus negotiates its own indirect research costs, but to what extent did you get involved in the process?

17-00:00:47

Kennedy: Well, let me back up just for a second. There are systemwide policies having to do with contract and grants, submitting proposals, and the like. This is an area in which the campuses have a lot of autonomy in terms of submitting proposals directly to federal agencies without coming to the system. Except when certain thresholds are involved, so many millions of dollars of direct costs per year, and I don't remember the current thresholds, but maybe it's \$5 million or something like that.

17-00:01:33

Lage: You mean the amount of the grant?

17-00:01:35

Kennedy: If you're asking for the government to give you more than a certain number of dollars per year for research, those proposals have to come up to the president's office. As I said, I don't remember the current threshold, but it might be \$5 million a year or something like that. Or if there is a major commitment of university resources. Say, to do the research, you have to build a new building, or it requires a match of a large sum of money which has to be provided by the system or the state, it might require approval of the Office of the President, and in some cases maybe even the board, depending on the nature of it. But generally, the normal proposal that a faculty member or a group of faculty members put together to go to the NIH [National Institutes of Health] or the National Science Foundation or NASA or whatever just goes from the campus directly to the government agency, and if it's awarded, the contract or grant would come back and be accepted by the campus, with no involvement of the Office of the President, other than it had to follow our policies. If there were terms and conditions as part of that agreement that were outside of policy, then of course it would have to come back for consideration to make sure that it was acceptable to the university, legally or administratively or, if it was something the board would be interested in, take it to the board. But the vast majority, I'd say probably more than 90 percent of all proposals, go directly to the government.

In the indirect cost area, there are a set of principles that the government puts out, under a management and budget circular called A-21, which dictates the way in which indirect costs are calculated. It's a fairly restrictive set of calculations in that certain costs are not

allowable, even though we think they may be legitimate and in business they would be legitimate expenses. But over the years, this has evolved and has been very controversial with the government from time to time, and some of that controversy actually is a result of our own faculty complaining about indirect cost. I get a grant, the university takes 40 percent of my direct costs for overhead, and that should be my money. Of course, the argument is, it pays for the buildings and the heat and the light and everything that you need to support the research, but—and in fact, generally the university recovers less than its true indirect cost rate because of these restrictive conditions set forth in the circular. And that's just something that has happened over a very long period of time. This debate has gone on for as long as I've been in the business, which is forty years, and it continues today.

17-00:04:49

Lage:

The debate over whether it's a fair indirect cost recovery?

17-00:04:53

Kennedy:

Yes, and what's the right way to make that calculation.

17-00:04:58

Lage:

It sounds like kind of a political issue.

17-00:05:00

Kennedy:

Well, it is a political issue. But it also, to a certain extent, reflects the theory that, at least back in when I first got into this business in the sixties, that there was kind of a partnership between the government and the university to do the nation's basic research, and that universities were getting money from the government and using it, along with some of their own resources, to do this research, which was vital to the nation but also important to the university. So there was this partnership, and the rules were pretty loose in terms of, the money was a grant, it came in, and essentially it could be used for a fairly broad range of purposes, as long as it supported the research.

Over the years, for all kinds of reasons, those rules have been tightened, and even grants now have a lot of terms and conditions that really feel like they're contracts instead of grants.

17-00:06:03

Lage:

Now, tell me what.

17-00:06:05

Kennedy:

Well, I mean, the original idea of a grant was that the only deliverable was maybe a report, and the money was given to the university to support some general body of research, and the university could pretty much do what it wanted with that money, as long as it did the research and produced the report. Now, in a lot of grants, there are more frequent reports, there are restrictions, you can't use the money for secretarial support, and you can't use the money for general administrative support.

17-00:06:42

Lage:

Even the indirect costs?

17-00:06:43

Kennedy:

No, the indirect you can do whatever you want, once you've recovered it. There are limits on how much you can pay faculty in terms of their total salaries, so if a faculty member makes more than X number of dollars per year, the NIH won't reimburse over that. There are just all kinds of things that have crept in over time, and so the use of the money is much more restricted. The recovery of indirect costs, as I said earlier, generally is less than what the university can calculate as its indirect cost, because of the rules that have been promulgated by the government.

So it's become less of a partnership and more of a business arrangement, and in some cases, it gets kind of difficult in terms of dealing with various federal agencies. Their demands for matching funds, and it's just a very complicated arena.

17-00:07:43

Lage:

Do you negotiate with each agency?

17-00:07:45

Kennedy:

Generally, in terms of the general terms and conditions, the agencies promulgate these and they apply across the board to all universities. During the formation of those policies and procedures and rules, the universities can have input, but in the end, the government agencies make the rules and we can either follow them or not.

17-00:08:12

Lage:

But does each agency make its own rules, or is there one—

17-00:08:16

Kennedy:

Within a general body of federal procurement regulations and so forth, yes. There are differences between NIH policies and National Science Foundation policies, and there are differences between contracts and grants, there are different kinds of contracts, there are different kinds of grants. It's a very complicated, arcane business, and one has to really be aware of all of this to make sure that one, you understand what you're committing yourself to when you take a contract or grant from a government agency, and what your commitments are, and then you have to make sure you follow all the—comply with all the rules and regulations, as we were talking earlier.

The indirect cost part of it, again, there is the prescription of circular A-21 put out by the Office of Management and Budget that tells you how you calculate these rates, and then in the University of California, each campus, there is an individual rate for each campus. You go way back to the seventies when I first came here, there was a systemwide rate, and it was a university calculation and every campus got the same overhead rate. Somewhere in the mid-seventies, as I recall, the government decided that it was not equitable from their perspective to have a systemwide rate, and so they forced campus rates on the system. The result of that was the university has, I think, recovered more money than it would have under a systemwide rate. And because of the way in which the money is distributed, particularly in recent times, there is an incentive for the campus to recover more indirect costs. In the old days, it all went into the systemwide coffers, it was part of the budget, there was no incentive.

17-00:10:09

Lage:

So even when the campuses were negotiating separately, the indirect costs went into the president's office?

- 17-00:10:17  
Kennedy: Right, and a lot of it was a budget offset. Some of it came back to the campuses. In recent times, the incremental dollars, the base remained the same, meaning it's largely a historical allocation of those funds, but over the last six, seven, eight years, the incremental money has mostly accrued to the campuses.
- 17-00:10:39  
Lage: You mean the amount of increase?
- 17-00:10:41  
Kennedy: Over and above whatever the base was when this new model went into place.
- 17-00:10:46  
Lage: So certain—.
- 17-00:10:49  
Kennedy: Well, if historically, I collected \$10 million a year in indirect cost money, and then a new model was put in place, and next year I collect \$11 million, most of that additional money accrues to the campus.
- 17-00:11:01  
Lage: The campus where the research generated.
- 17-00:11:02  
Kennedy: Right, where the money was generated.
- 17-00:11:04  
Lage: And what happens to the \$10 million now?
- 17-00:11:07  
Kennedy: That is part of the base of the university, some of which sits at the campus, some of it sits in the president's office, some of it's been redistributed. Nobody could ever trace it; it's kind of a—
- 17-00:11:18  
Lage: Does some go back to the state?
- 17-00:11:21  
Kennedy: No, I mean, in theory, there was a period of time when it was considered part of the state budget, and when we went in with a budget request for state funds, there was an amount identified as recovery of indirect cost. Somewhere I think in the eighties or so, there was a renegotiation, and I don't think that's the case any more. Again, the base is still there in terms of the state, but now the incremental dollars are accruing to the university pretty much. Although everybody is aware of what it is, and there has been some noises in recent times about that that really ought to be part of the state budget, because the state puts up the money that sort of generates it, but—
- 17-00:12:09  
Lage: But less and less all the time.
- 17-00:12:10  
Kennedy: But less and less, yes. So again, these are all political considerations.

So since the seventies, the campuses have had their own indirect cost rates. Some campuses have the expertise and do their own calculations, like San Diego, UCLA, I think Berkeley now does their own. Some of the smaller campuses rely on the system to do most of the work for them. The negotiations of those rates are done individually, with the Region 9 of the Health and Human Services, which is our cognizant oversight federal agency, because they provide most of the money to the University of California, so they have the oversight. Region 9 is up in San Francisco, their offices, and there is periodically a negotiation. Generally, it's for more than one year, multiple years, but the rates are fixed. Sometimes they increase a little bit over the period of the agreement.

The system plays a role in those negotiations, as an aide to the campus to help the campuses. We have good relationships with Region 9, and so we try to leverage that. But it's a long process, and sometimes it's possible to have your rate extended without negotiation by accepting the same rate that you had in a previous year, or maybe some minor increment because you can demonstrate you've brought some new facilities on line, you should recover some additional money or whatever. When you have to go and really negotiate a rate from scratch, that means putting together a very complicated proposal, which is very expensive to put together, a lot of backup data, thousands of calculations. Some campuses use outside help to do that, maybe bring in one of the audit agencies, a third-party auditor that has expertise in that, to help run those calculations. And then there's a big negotiation. The government throws out stuff, and you argue to put it back in, and it can go on for months and months and months. And then in the end, you have an agreement, and those agreements are subject to approval by the president's office.

And there is an attempt to not have the same rates at every campus, but you don't want one campus agreeing with something that's going to potentially have adverse impact on another campus.

17-00:14:56

Lage:

Agreeing to too low a rate?

17-00:14:57

Kennedy:

Too low a rate, or some exclusion of some cost that we think is legitimate, and the government maybe in an arbitrary fashion is just throwing it out in order to drive the rate down. And if campus A agrees to that, then the next time campus B negotiates, the government will say, "Well, campus A agreed to it, so isn't that the university's position?" So you have to be very careful that you don't commit something that's going to harm your sister campus. So the system tries to play the role of that equalizer in those negotiations.

And I think in the main, the university is aggressive but not overly aggressive in indirect cost recovery, because the other part of this that we mentioned a little earlier was the faculty generally don't like high indirect cost rates, because they see it in a sense coming out of their direct cost pockets.

17-00:15:57

Lage:

It does, in a sense.

17-00:15:57

Kennedy:

Well, sometimes it does and sometimes it doesn't, depending on the agency and how they're funding research. But generally, the amount of money for a particular research project is fixed, and that's divided between the direct and the indirect. The indirect doesn't go back to the faculty member per se; it goes to support the institution, and so he views that as impinging on his ability to do his research. On the other hand, he expects to have a well-functioning laboratory and lights and heat and support, purchasing and HR support and everything else. Somebody's got to cut the grass and so forth.

17-00:16:38

Lage:

So all of those things are figured into indirect costs?

17-00:16:40

Kennedy:

All those things are figured in. To some degree, they are allocated to the research.

17-00:16:45

Lage:

Do you know what percentage of the total budget is recovered in this way?

17-00:16:50

Kennedy:

You know, I don't remember those numbers any more. It's a lot of money, though. Because we're getting billions from the federal government. It's probably, if you just took the total amount of money for contracts and grants received from the federal government, about 20 percent of it, round figures, is probably the indirect cost portion. Even though the rates are higher.

17-00:17:12

Lage:

Yes, the rates are like 50 percent.

17-00:17:13

Kennedy:

Well, but the rates don't apply to everything. The rates apply to certain costs; other costs are excluded, and so you don't recover fifty cents of every dollar you spend. Like for major capital equipment and so forth, you may not recover any indirect cost. Or for manufacturing of equipment or whatever, you may not recover the indirect cost on that. So it's not a pure calculation; there are a lot of exclusions.

17-00:17:43

Lage:

Now, you said, I thought I understood you to say that faculty objections had been one of the factors that changed some of the basis.

17-00:17:56

Kennedy:

Well, I think—I can recall, going back to the seventies and eighties, because I've been involved nationally with negotiating indirect cost principles with the government for thirty years—I can recall in the seventies having difficult, difficult discussions with some of the higher ed societies, like the Society of Biological Science—can't remember what they call that group any more—and they were a very powerful society of biology faculty members, scientists, going up on the Hill and complaining to members about indirect costs. And then they'd hold hearings, and the university administrators would get dragged—I testified at congressional hearings on indirect costs. And it was emotional, and the faculty members were complaining, and the members were listening to the faculty members, and OMB was listening to the faculty members, and then they'd try to tighten up the—. And then occasionally, there would be some abuse, like the Stanford thing back in the late eighties, early nineties—

17-00:19:09

Lage:

Where they were paying for parties at the president's house—

17-00:19:12

Kennedy:

Yes, except, in the end, Stanford was exonerated. They were never found guilty of doing anything that was illegal. Stupid maybe, but not illegal. And inappropriate, probably, but not illegal. That was I think in the end thrown out of the courts, but they paid one heck of a price for those, quote, indiscretions. So you want to be very careful about how you calculate; whether it's legitimate or not, it has to pass the sort of public scrutiny—my colleagues at the lab say the ho-ho test. Would somebody out on the street accept that as a reasonable explanation for including something in your indirect cost rate? And if the answer is no, you probably don't want to do it, even if you can figure out a way to make it legitimate under the rules.

17-00:20:02

Lage:

So a lot of this is done on the level of national associations, I would guess.

17-00:20:05

Kennedy:

Yes, it is.

17-00:20:06

Lage:

The principles.

17-00:20:07

Kennedy:

Yes. There are a whole bunch of higher ed organizations, but the ones that have been the most involved—AAU, Association of American Universities; the Council on Governmental Relations, which I've been active in all my career, and was chairman of that board for a number of years and on the board for a number of years—that's an organization made up of most of the research universities in the country. I think it's about 140 of them now. They are basically interfacing with the government on the terms and conditions under which we do research for them, both indirect and direct. So we have long discussions and battles with the Office of Management and Budget over the circular that has to do with indirect costs, with the HHS over terms and conditions of contracts and grants with NIH and the National Science Foundation, and NASA, and the Department of Energy, and the Department of Defense. It's a battle that has no end, it just goes on forever. I still go to Council on Governmental Relations meetings in Washington three times a year, and it's almost like you could roll the clock back thirty years and you're still having the same battles over indirect cost, and tightening of terms and conditions, and universities feeling like they're being really pressured by the government.

17-00:21:36

Lage:

And does Congress get into it?

17-00:21:39

Kennedy:

Occasionally, yes, there have been moments over those years when the Congress has played a very active role in indirect costs and forced some restrictions. There have been times when they've gotten involved in things like human subjects, animal—and put out new laws that required the government agencies to tighten up. So it's a constant political and bureaucratic struggle, and as I said, it will never end. It will go on as long as the government funds research and as long as universities want to do research.

17-00:22:12

Lage:

Both of which you want to go on.

17-00:22:14

Kennedy:

Yes. And the interaction amongst the various higher ed organizations in Washington is very important. And individual universities would find it impossible to deal with this, so it's these organizations that can speak for the industry, so to speak. So the AAU, the Association of American Medical Colleges, like I mentioned the Council on Governmental Relations, NASULGC [National Association of State Universities and Land-Grant Colleges]. All these play a role in various aspects of our dealings with the federal government.

17-00:22:57

Lage:

Have you done a lot of the actual at-the-table negotiation?

17-00:23:03

Kennedy:

I did when I was a vice chancellor. I did not do much of that as a vice president. I did negotiate twice at UCSD for our indirect cost rates.

17-00:23:18

Lage:

Is there a theory of what works best?

17-00:23:21

Kennedy:

No, I think the trick is—it's not a trick—but one is you want to have a proposal that's defensible, and you want to have a going-in rate that's got some give, so that you can compromise. You have to sort of hang tough and be willing to take some risk. I can remember my last, I think it was the last one I did at San Diego, we had an individual—actually he's still here—who actually does the calculations, and he's very good at it, and he understands all the sort of nuances and the arcane rules and regulations, but does not have a big-picture mentality, and is somewhat combative. So he and his counterpart in Region 9 got into sort of a war of calculations. "Here's my calculation," and then the other one would run another calculation, and this thing was just dragging on and on. If you go beyond the expiration of your current rate, then you get given a provisional rate, which in most cases is going to be the same as your old rate, and if you negotiate for a new contract or grant while that provisional rate is in place, that rate remains in place for the life of that contract or grant. So if you expect your rate to go up, and you're stuck with a provisional rate that's based on your old rate, or maybe some minor increase in it, you're losing money. Every time you take a contract or grant in, you're not recovering what you could recover if you had a final rate.

So I tried to get Region 9 to sort of cut this crap out, so to speak, and let's get on with it, and they were having a good time. They'd do a calculation, and tell us our rate was too high by this much, and then we'd do another calculation and show the—and I finally, I appealed to the Region 9 divisional manager and got noplacement, and I finally had to appeal to the head in Washington at HHS, who was somebody that I'd known for a long time, and I called up and I said, "Look, you guys are costing us money, because we can't come to closure, and we're ready to negotiate a fair rate, but your guys just keep inundating us with more and more calculations. And I will admit part of it is our fault, because our guy is doing the same thing."

17-00:26:03

Lage:

He was playing the game.

17-00:26:05

Kennedy:

“But we’re not playing the game any more, and I want to bring this to closure, and I need your help, and we want to do this quickly, because every time after July 1 we take a grant, we’re losing money because we know we’re going to get an increase.”

Well, he finally looked into it and decided that our position was reasonable, and quickly thereafter we were able to bring it to a closure. But I’ve seen some of these provisional things go on for six months, a year, whatever. Universities unable to bring closure.

The other thing you have to be sensitive to is how much of a rate increase are the faculty going to tolerate before they absolutely get up in arms.

17-00:26:47

Lage:

That’s right. This is a case where there is really a conflict of interest in the faculties. If they don’t have the big picture that you’re laying out.

17-00:26:56

Kennedy:

And so my strategy at UC San Diego and the strategy that I advocated for other campuses when I was vice president was that you should have a plan to raise your rates steadily, not by big amounts, but steadily over time, to try and get them up to a level that we believe is reasonable. I mean, if you start out at a low rate, say like UC San Francisco used to have a very low rate, like 38 percent or something, and they knew that they really should be up in the fifties. Well, if you tried to put that in place in one or two increments, I mean, one is the government would have a hard time swallowing that, but your faculty would absolutely be up in arms and would just raise a lot of hell over it. But on the other hand, if you have a good case and if you work with the faculty and you have a couple of points this time, couple of points next time, and you work at it over—and try to achieve what is a reasonable goal, you can probably do that. It’s a much better strategy than big swings.

17-00:28:02

Lage:

Do you look at what your competing universities, so to speak, are getting, or is there—

17-00:28:08

Kennedy:

Well, in theory, it shouldn’t make any difference. Indirect costs are what they are.

17-00:28:13

Lage:

But are they pretty much the same between big campuses?

17-00:28:15

Kennedy:

No, there’s a big disparity between privates and publics. In fact, I’ve written a couple of papers on looking at those differences, and generally, the privates—historically anyway—have had a much bigger incentive to recover. Many of the state institutions, the money went back to the state, there was no real incentive. For the privates, investing money in sharpening up your indirect cost calculations and recovering more of that money is just like tuition: it comes in, it’s yours, you basically do what you want with it. So there was less of an incentive for state institutions, and that disparity still exists

today. I'd say most privates are way up in the seventies, and most state universities are down in the fifties.

17-00:29:08

Lage:

That's huge! Seventy percent indirect costs!

17-00:29:12

Kennedy:

There are some medical schools that are up in the 90-percent level. But it's legitimate. I mean, it's the cost of what they are. Medical schools are much more expensive to operate than most general campus activities. At all the UC schools, it's one rate. There are not differential rates for medical versus the rest of the university.

17-00:29:33

Lage:

But San Diego might be higher because it has a medical school?

17-00:29:36

Kennedy:

Probably a little bit higher because it has a medical school. And San Francisco probably could be higher than it is, but it's probably—I don't even know what it is now—it's probably in the mid-fifties, would be my guess, and it's probably a reasonable rate.

The other thing that I'll just mention about the federal relations is that in my head, given the amount of federal dollars that the University of California has, and it's somewhere in the neighborhood of about 10 percent of the money that's allocated by government for basic science comes to UC—

17-00:30:13

Lage:

Ten percent nationwide?

17-00:30:15

Kennedy:

We also I think put out about 10 percent of the Ph.D.s in this country, so that seems like a pretty fair equation. But because of the amount of money that we generate across the system, the university I think does have a fair amount of clout in Washington, with the higher ed orgs that are helping to set the policy, and I think it's really important for the university to be involved in that. I've encouraged people in the UC system to be active in these higher ed organizations, and I was very active in the council for almost my entire career, going way back to the sixties. Dick Atkinson was head of the Association of American Universities, president of that organization or whatever the title is, for a term. Other chancellors have been active in various organizations. It's just really important, because it is a big part of our portfolio, and the rules and regulations and the attitudes and the things that go on in Washington can have a huge impact back here on the campus and in the university. It's just important that we play in that arena to the extent that people can. And it's an added burden; I mean, we don't get extra time or money to go to Washington and serve on boards and be chairman of boards and so forth, but it's really part—I think it's part of your job.

17-00:31:45

Lage:

Yes, it seems like an expected part of your job.

17-00:31:47

Kennedy:

And I think it's important for the university, and I think it's good for the individual, because you learn a lot about other institutions and how they deal with problems, and

you can bring that back to your home institution. But I think the big thing is you can be a player in the bigger game.

17-00:32:03

Lage: And sort of the lobbying.

17-00:32:05

Kennedy: That's very important.

17-00:32:06

Lage: And does—the university has a lobbyist?

17-00:32:08

Kennedy: Yes, we do, we have—

17-00:32:10

Lage: Or a whole office?

17-00:32:10

Kennedy: We actually now have a building in Washington, which I was responsible for building, one of my last projects.

17-00:32:17

Lage: And what lives in that building?

17-00:32:20

Kennedy: What lives in that building are really three things. One is our Washington office, which is our lobbying wing. It's run by Scott Sudduth, who is an associate vice president and reports to Bruce Darling. There are classrooms and conference rooms and lecture halls there, and faculty who hang out there. And then there is a bunch of dormitory—actually apartments—for students who rotate through there as part of their experience. I think we house one hundred, two hundred—a little over two hundred students there. Who used to rent apartments all over Washington, and now we have a building where our students go there for a quarter or longer and get exposure to Washington. They work with agencies, with members. They have seminars and symposia, there are faculty there to help them wend their way through the federal morass, and it's a great experience.

17-00:33:29

Lage: And when did that start?

17-00:33:30

Kennedy: That's been going on forever, but up until the building opened, which was in 2001, I guess—right after I stepped down—we rented apartments all over the place, mostly in Virginia, across the river. Students lived there, and we had an office, or actually a couple of offices in Washington. We had a separate office for our Washington lobbying efforts, and then we had some educational spaces there. But now it's all in one building, and it's just a marvelous opportunity for kids to go back and experience the government.

17-00:34:12

Lage: Maybe they'll learn to be lobbyists and come to work.

17-00:34:13

Kennedy: [laughs]

17-00:34:15

Lage: Shall we move on to start talking about the lab?

17-00:34:18

Kennedy: Okay.

17-00:34:17

Lage: Since we're talking about negotiating, should we first talk about negotiating the lab contract, or were you involved very intimately in it? I guess Ron Brady implied to me that he was quite involved when he was in here.

17-00:34:32

Kennedy: Well, Ron negotiated the '92 contract.

17-00:34:36

Lage: Yes. I mean, he seemed to be personally involved, and I'm wondering—

17-00:34:38

Kennedy: And when I arrived in June of '93, that contract was still in its first year of implementation. I negotiated the '97 contract and was personally very much involved in it, although I had a team that actually did the day-to-day negotiating, but I was responsible for it. I negotiated the extension in 2000 that took the contract to 2005. That was the last thing I did. In fact, the negotiations were finished just about the time I left, and it was presented to the regents in September of 2000, and I didn't even go to the board meeting, because I had already stepped down. My associate, Bob Van Ness, who was responsible for the lab administration office, made the presentation to the regents. So yes, I was heavily involved.

17-00:35:35

Lage: Now, what is involved in negotiating the lab contract? That should be an interesting story, I would think.

17-00:35:41

Kennedy: Well, I think before you get to negotiating the contract, you have to talk a little bit about the university and its responsibility for the labs, and what that means—

17-00:35:53

Lage: Background.

17-00:35:53

Kennedy: —and how it's changed over time, and the way in which the university carried out that managerial responsibility, which has changed dramatically in the last decade, for better or worse.

17-00:36:13

Lage: Yes, it's such a complicated story, I really didn't know quite how to get into it.

17-00:36:17

Kennedy: First, just for background: the three laboratories that the university manages, UC manages the Lawrence Berkeley National Lab, which is on the Berkeley campus, on

university land; it manages the Los Alamos National Laboratory in New Mexico; and it manages the Livermore laboratory in Livermore, California. The university has managed all three of those labs essentially forever, since their inception. Los Alamos for more than sixty years, Livermore for more than fifty years, and Berkeley I guess goes back to the thirties when it first started. So in a sense, it's part of the culture of the university, and in many ways, managed the way we manage campuses, in which the system provides the oversight, but the chancellor in the case of campuses and the directors in the case of the labs were the day-to-day CEOs of that entity. I think what the university brought to the table, particularly with the weapons labs, was the science, the ability to help recruit and retain the best and the brightest to staff those laboratories, with less emphasis on the of non-scientific management of those entities.

Berkeley is kind of an exception because of where it sits. There is much more day-to-day, everyday interaction between the campus and the lab, and while there are joint appointments to weapons labs, I think everybody, every scientist at Berkeley probably has an appointment on the campus, and a lot of the faculty on the campus spend a lot of their time at the lab. It's just integrated into the campus, where the weapons labs, because Livermore is out in the Livermore Valley, and of course, Los Alamos in New Mexico, the distances are different. Not that there isn't a lot of interaction, because there is, and there are joint appointments and the like, but it's just a different—it's more isolated. It's like having a campus in a sort of remote location.

So I think the university—and I knew very little about the labs, except in the general sense, before I went to the president's office. I mean, I knew we managed them, I had visited Los Alamos a couple of times. Actually, historically, the first time I went to Los Alamos was 1945, as a seven-year-old kid, because I had an uncle who was a scientist as part of the Manhattan Project, and we were on our way to California, my mother and my aunt and my brother and I, and we stopped in New Mexico to visit my aunt and uncle and cousins who were sequestered, if you like, at Los Alamos. They came out, and we had a picnic with them in Bandelier National Park. I can remember that. I also happened to be there when they did the Trinity test—

17-00:39:39

Lage: You were?

17-00:39:40

Kennedy: —in 1945, yes.

17-00:39:42

Lage: You were there at the time?

17-00:39:43

Kennedy: At the time, yes. Just by—

17-00:39:44

Lage: Were you aware of it?

17-00:39:45

Kennedy: No. Not until much later in my life.

But I knew the university managed the labs, I knew that periodically there was disagreements internally. Many faculty members from time to time being opposed to the university's management of the weapon labs—

17-00:40:08

Lage:

And votes on the Academic Senate often.

17-00:34:15

Kennedy:

And the Academic Senate, and as contracts came up for renewal, there was that opposition. There occasionally were issues of, I remember one where the university spent some money to produce some metals or something, and it was disallowed, and I remember reading about it in the newspaper, and I couldn't quite figure out what all the fuss was about. But later on, I learned.

But in any event, when—so I think the major point I'm trying to make is that from my perspective, the labs were something the university did as a public service, and it wasn't that much different than running a campus, except you had another player or two, one being the Department of Energy [DOE], and before it was the Department of Energy it was Energy—ERDA [Energy Research and Development Administration] or whatever, and in the old days, the Atomic Energy Commission, which I had had some experience with early in my career, in negotiating with them back in the sixties. But they were in effect the customer, and there was a certain obligation to the DOE, and then there was the Department of Defense [DOD], which was the user of what was produced by the weapons labs.

So I didn't quite grasp the complicated nature of the puzzle, nor the involvement, the significance of the university managing these, particularly with the new contract that was negotiated in '92, which was a very different contract than the previous ones. It was a performance-based contract, in which there were metrics built in in which the labs had to perform and be measured, and the success or failure of the university in managing was very much tied to those performance measures. They were both in science and in management.

17-00:42:16

Lage:

Now, how did that come about, do you know?

17-00:42:18

Kennedy:

Well, my understanding is it came about because the DOE felt that there were some deficiencies in the university's management of the laboratories.

17-00:42:28

Lage:

So even back then—

17-00:42:29

Kennedy:

Some of these came to bear, and you someplace had mentioned the Dr. Peltason commenting in his oral history about the problems at Livermore, which required new leadership. There were some evidently serious management problems at Livermore in the late eighties. Inventory, you couldn't find government property, and so forth. So the contract was kind of structured to build measurements into it, and that required on an annual basis for the metrics to be evaluated, and then that presented to the DOE, and the DOE would either affirm or not those rankings, if you like. And so there were a lot of

new mechanisms put in place. The lab administration office, which I inherited from Ron Brady, was just getting started with—had brought in Bob Kuckuck from the Livermore National Lab to run that office, and he had recruited a—he was in the throes of recruiting a staff.

17-00:43:47

Lage:

And that was the first time that there was a lab management office?

17-00:43:52

Kennedy:

Well, in that form, where it had the responsibility for overseeing the management in a detailed fashion, and looking at these metrics in performance and procurement and inventory control and so forth, to make sure that the labs were meeting the standards, and hopefully better than the standards. There were mechanisms put in place through the President's Council on the [National] Labs [Laboratories] to evaluate the science, to in a sense give grades for science. All this was just percolating when I got there in 1993. We hadn't even been through one year of the new contract.

17-00:44:31

Lage:

Was the university happy with the new contract? You had talked about liking performance-based management.

17-00:44:38

Kennedy:

I can't say they were happy, because I think they were happier with the old arrangement, where there was less emphasis on measuring performance and more on the university providing the scientific might of the labs, if you like, and leaving the day-to-day operations more or less up to the laboratories to run, with the DOE and other government agencies getting their oar in. But I think the new contract—I don't know this for a fact, but I'm going to have to guess that it was a necessity for the university to negotiate something like that if it were going to continue to manage the labs, or at least to avoid a competition for the labs. And I think the university did a good job of negotiating the contract, but it was a different arrangement and a different way of doing business with the Department of Energy than we had done before. So there was a learning process, both for the president's office, the university, but also for the labs, who were accustomed to being pretty damn independent and having a lot of freedom to deal directly with the Department of Energy and so forth, and that cultural change actually is still a work in progress. I don't think it's totally come up to the standard that is prescribed in the contract. I think it's still a culture of independence and sort of inward-looking, and worrying more about the science and whatever than the management part of the responsibility. Although I think a lot of strides have been made.

17-00:46:38

Lage:

So as part of the cultural change that's required, is the centralization aspect, or are you thinking of the balance between science and—?

17-00:46:46

Kennedy:

I think more of the balance, and more emphasis on accountability, more emphasis on good management principles, good business practices, that were not a big part of the equation—I'm not saying that people were purposely doing bad things, I just don't think they were putting the emphasis—I mean, it goes back to the, we've talked so much about, you're not going to spend resources to do something you don't have to do, because they're too precious, and you'd rather have that money go, in the case of the

labs, to do research or scientific achievement and not put it into overhead, which is what you do when you have to manage something, that's your overhead. So I think the idea was to do what they had to do, but not put a lot of their resources into that. That pendulum swings back and forth, and Livermore got caught up in it in the eighties, Los Alamos in the nineties, and Berkeley to a certain extent in the nineties, in having to have major management improvements in order to satisfy the government requirements.

17-00:48:00

Lage: And then you also had a learning curve, yourself.

17-00:48:04

Kennedy: I certainly did. Well, I was pretty—[tape interruption]

17-00:48:20

Lage: Okay, we're on again. I'm sorry to interrupt you. You were talking about your learning curve.

17-00:48:22

Kennedy: I did have a steep learning curve, because while I had worked with DOE in terms of individual contracts and grants and was somewhat familiar with DOE requirements, I knew very little about the contract and the nature of the laboratories in any detail. So I did have to get up to speed fairly quickly. On the other hand, Bob Kuckuck, who I mentioned earlier was brought in to head the lab management office, had worked at Livermore all of his career, more than thirty years. He was a physicist by training, had run the weapons testing program for Livermore at the Nevada test site for a number of years, and really understood not only the technical aspects but a lot about the management of the labs, and just a superb individual who is one of those technical people who has really good management instincts. Not training, but instincts. So that was a godsend, because Bob was assembling a really good team, including Bob Van Ness, who later became the director or assistant vice president for lab affairs, now associate vice president, and other people who were experienced in dealing with DOE and with the government on the kind of contract that we now had. So they were busy putting in place the evaluation mechanisms and the oversight to implement what the university had agreed to.

And in that first year, in '93 and into '94 and so forth, it went reasonably well, because both DOE, the university, and the labs were all trying to figure out how to implement this new contract. There was more I think emphasis on sort of learning how to implement the contract and implement the metrics than there was on in a sense the quality that was going on. I mean, it was kind of meeting the requirements—

17-00:50:36

Lage: Kind of putting a system in place but maybe not getting down to the lab level?

17-00:50:41

Kennedy: Putting a system in place—it was sort of developing, refining the metrics that were in the contract and coming to agreements with the labs and then with DOE about what all this meant and how to evaluate, how to measure, and so forth. So in a sense, I think everybody was cut a little bit of slack, and this is just me surmising this, I don't know whether it's actually a correct statement or not, but it seems to me that it was a little less intense in the earlier years than it was in the later times. But like any organization,

whether it's a campus or a lab, events usually determine how things are going to go, and when there's an untoward event, when something bad happens, and there's a focus put on a particular aspect—we talked earlier about malfeasance in the university—and when that happens, then you've got to pay a lot more attention to these things. Usually, the incident that occurs may be viewed as being egregious, but maybe in the big picture, it isn't as bad as it seems in the press or whatever. But it gets the attention, and then you've got to devote time, effort, resources to sort of fixing those problems.

But the labs, in my early days, were not quite frankly taking a lot of my time. There was the periodic involvement with my lab administration office, and I should also talk a little bit about the provost's role in all of this. There was the occasional visit to the labs and meetings with the lab directors and with other people at the labs. Very little involvement with the Department of Energy early on. And I was devoting most of my effort to other things that we've talked about—audit, financial management and so forth.

17-00:52:49

Lage:

Would you be involved in picking new directors, or was that the provost?

17-00:52:53

Kennedy:

Well, when Bruce Tarter was appointed, that search started to replace John Nuckolls shortly after I got to the president's office, and I did not play a role, I was not on the search committee. I played little or no role in that recruitment. When John Browne replaced Sieg [Siegfried] Hecker at Los Alamos, I was on the search committee, as was the provost, and so I think we had more of—I had more of an involvement.

17-00:53:24

Lage:

Did Hecker leave because of some problem, or just the normal—

17-00:53:30

Kennedy:

Let me get back to that a little bit later.

Let me talk a little bit about the division of responsibility between the senior vice president for business and finance and the provost, senior vice president for academic affairs. When I arrived in the president's office in June of 1993, Walter Massey was the provost, had come on board two months earlier, in April. Walter, who had experience with DOE, because he was the director of Argonne National Laboratory, and prior to coming to the university was director of the National Science Foundation, but had had the DOE experience directly and so he was much more up on dealing with the Department of Energy than I was, albeit not weapons-related, but science-related.

But Walter and I, and I assume that this was the case with Ron Brady before I got there, but there was an agreement that Walter would have responsibility for the scientific oversight of the laboratories, and make sure that research programs were going well and so forth, and that I would focus on the management aspects. So if you recall, the contract had metrics to look at the science performance measures, and then it had metrics to look at the business, and it was kind of 50-50, equal weight, which probably was not appropriate. It's been changed since then. But anyway, it was equal weight: 50 percent management, 50 percent science.

So the agreement was that I would take that responsibility, Walter would take the other. I think for all intents and purposes, I think everyone viewed Walter as kind of the senior among the two senior vice presidents when it came to the labs, because of his background and experience, and because of his training. But I think it was a fairly equal partnership, and most of the meetings we had with lab directors and the few times we went to Washington together, it was jointly. And when we had meetings with the president's council, which was the external oversight body, though it did have some UC people on it, faculty in particular, Walter presented on the technical side, scientific side, and I presented on the management side. I remember my first council meeting when I made a presentation on the implementation of the contract, and I must say, I really didn't know exactly what the hell I was talking about, but somehow got through it with some good preparation by my staff.

17-00:56:25

Lage:

Were the people on this council people with management expertise, or were they mainly scientists?

17-00:56:29

Kennedy:

Most of the people had scientific backgrounds. Some of them had been in management positions. I think of Sid Drell, who was the director of SLAC, Stanford Linear Accelerator [Center], who was head of the president's council for a long time. I'm blocking out on them, but there were more technical folks, mostly technical people. Later on, we put some management types on the council, but I think initially, it was more of the people that had scientific backgrounds, but may have had some management or DOE or governmental kind of experience.

17-00:57:12

Lage:

And was it an important council, or was it more window-dressing?

17-00:57:13

Kennedy:

No, I think it was important for a couple of reasons. One is, it did bring an external perspective to the table. People that were not biased, as internally university people are going to be biased, because we work for the university, and we want the university to succeed. I think external people can be a bit more critical. I think it brought, in a sense, a requirement placed on the lab directors to relate to the council in a way that would convince this external body that they were doing the right things vis-à-vis our contractual obligations and good science and to a certain extent good management. So in a sense, it was a way to help the university get the lab directors and the culture more moving towards meeting the new contractual requirements. Again, I think it's a very slow process, I think it's still happening as we speak, but I think the council played a role in that.

And then evaluating the science, I think. They set up their scientific panels to evaluate the science. And also, the university faculty were members of the council. The chairman of the Academic Council and the chairman of the council's research committee were put on the council, so that was a way to get the UC faculty more into the fold, if you like. I think that worked reasonably well. So I think the council was valuable.

Now, I think the lab directors to a certain extent didn't care for the council, because they had to do a lot of work to prepare themselves for council meetings, and do a lot of work

to prepare to be evaluated, particularly in the science but also in the management. And they didn't always agree with the ratings. Reasonable people can disagree.

17-00:59:32

Lage: The council was a new thing, then?

17-00:59:34

Kennedy: No, I think there was a similar body under the old, but I just don't—I never bothered to go back and look at the history of that. I think there was a predecessor to it, and maybe it was called the president's council, I'm not sure. But I think it was revamped under the—

17-00:59:50

Lage: Became more active, maybe.

17-00:59:53

Kennedy: More active under the new contract. And I think the directors looked at it as just another hoop they had to jump through, in addition to frequently having to go back to DOE and congressional hearings, they were always preparing to be evaluated by somebody. So I think there was some resentment there. But that's what the university agreed to, and it was a lot of work, to prepare for a president's council meeting, and to make sure that it was going to work well.

17-01:00:29

Lage: Did the DOE use the evaluation of that president's council?

17-01:00:32

Kennedy: Yes. We sent to DOE the university's evaluation, which on the scientific side was done by the president's council, on the management side was done by our oversight office, although we presented our results to the council. They didn't actually do the evaluations. And then the DOE did its own evaluation. Where there were differences, there was in a sense a reconciliation before a final grade was—a final evaluation was put out there by DOE.

17-01:01:07

Lage: And then how often did that happen?

17-01:01:08

Kennedy: Once a year.

17-01:01:07

Lage: Oh, once a year? This is—

17-01:01:11

Kennedy: So you were pretty much preparing for it all the time.

17-01:01:15

Lage: Yes, I can see.

17-01:01:15

Kennedy: You'd finish one and get started on another very quickly.

17-01:01:17

Lage: So how did they do in the early years? I know at one point you got a—

17-01:01:23

Kennedy: Oh, there were some deficiencies in certain areas. The idea was—I mean, that was the idea of the performance measures, to demonstrate that you were either meeting the requirements or you weren't, and if you weren't, to try and get them up. And we showed, we demonstrated, that over time, the grades improved—on the management side. Science was always quite good. There might be some little less than—there was never “less than satisfactory,” but there might be a “satisfactory” rather than an “excellent,” I can't remember their scores.

17-01:01:55

Lage: I think I read in one of the reports by Sid Drell, you had “excellent” and “outstanding,” or I don't know which was the best.

17-01:02:00

Kennedy: I think it was “satisfactory,” “excellent” and “outstanding,” something like—there were three grades, and there was always debate about how finely do you slice the onion, and—

17-01:02:11

Lage: And which is better? “Outstanding” or “excellent”?

17-01:02:12

Kennedy: I think the “outstanding” was the top grade, “excellent” was the middle, and “satisfactory” was kind of a C, I guess.

17-01:02:19

Lage: The report that I saw a summary of, which was '96-'97, it was just glowing, I would describe it.

17-01:02:28

Kennedy: The science part, or everything?

17-01:02:28

Lage: Everything.

17-01:02:31

Kennedy: Well, '96-'97, we had made a lot of progress. Things like procurement, how long does it take to procure certain items, how rapidly do you pay invoices, how many payroll errors are there in a given month—I mean, it allowed you to focus in on—and some of these measures got down to pretty fine details. That was one of the criticisms in the end, that we went too far and got it down into too much detail, and sort of lost the bigger picture. So they backed off a little bit from some of the very detailed measures that were put in place.

I never personally got into the real details of it. That was for the lab administration, obviously. I was just more concerned about the overall—that we were meeting our contractual obligations and the bigger picture. The DOE was pleased with what we were doing.

17-01:03:41

Lage:

At the same time, was there also a thrust to try to reduce administrative costs, and—?

17-01:03:45

Kennedy:

Well, I mean, yes. The lab always was looking for ways to try and cut its overhead, because they got X dollars for their programs, and the more they spent for overhead, the less there was for programs. So it was always an effort to try and rein in what was considered to be overhead expense. On the other hand, if you reined it in too far, then you had deficiencies, because you weren't spending enough. So it's again, it's always finding that balance that's important. And yes, Livermore had its big problems in the eighties and spent a lot of time and effort sort of fixing their inventory and other systems, and spent a lot of money doing that, obviously. And came out of it, I think, looking pretty good. Los Alamos was a little slower. It started running into some serious problems somewhere there in the mid-nineties or so, starting out with some safety issues and then sort of going from there.

The thing that struck me sort of most about Los Alamos was that they had done a whole series of sort of reorganizations, and shortly after I went there, Director Hecker reorganized and came up with this organizational concept that got coined "Flatland," because he had this very flat organization in which somewhere in the neighborhood of twenty-two or -three people were basically reporting to him and his deputy, Jim Jackson.

17-01:05:29

Lage:

Even I noticed that, without much management [expertise], by looking at the—

17-01:05:34

Kennedy:

Organization chart?

17-01:05:34

Lage:

The directory, the UC directory. At one time, there was kind of a hierarchical organization, and then it's just completely flat.

17-01:05:45

Kennedy:

And the thing that sort of exercised me the most was that this was kind of done, as far as I know, without much consultation between the director and the university. He just decided that—this was, I'm sure, in his head in the best interest of the laboratory. And so they put this organization in place, and I think there were a lot of skeptics, both in Washington as well as in California, about the merits of all this. But it was kind of done, and it never really worked. I mean, as far as I know, the place became somewhat immobile because there were just so many people reporting to the director, and they'd have these big meetings and try to make decisions in some kind of a democratic fashion, and I don't know, it just—

17-01:06:44

Lage:

But this wouldn't be something that you would be discussing with him to try to—?

17-01:06:47

Kennedy:

Well, I think yes. It should have been discussed, and I think if it would have been—and maybe it was before I got there, and maybe Walter Massey had some discussion with Director Hecker, but I was unaware of it. I just sort of—it just kind of happened. Maybe

because I wasn't watching closely or something, because I had just gotten there and was still trying to feel my way with reference to the labs. But it was kind of strange.

And it was tried for some period of time and it just, quite frankly, didn't work, and then they went back to a more traditional hierarchical organization.

17-01:07:23

Lage: With a new director, or under that same one?

17-01:07:24

Kennedy: No, it was changed before Sieg stepped down. It just I don't think had a chance of working. It was just too spread out, and not enough focus. One person just cannot possibly supervise that many people, I don't think, because you'd spend all your time doing that. There's got to be a more concise approach to things than—.

17-01:07:55

Lage: Are you saying that this had something to do with sort of some of the problems that came up later?

17-01:08:02

Kennedy: Well, I think—all of these things are symptomatic of the culture that exists at the labs, and I think the Los Alamos culture—you have to think about how it started, as a secret project in a very remote location, with a fence around it, and not even an address, just a post office box. Everybody was sort of inwardly trying to solve this problem about how to create the atomic bomb. And that's the origins of the lab, and some of that culture is still there. I mean, there's still a fence.

17-01:08:53

Lage: It's still kind of isolated.

17-01:08:54

Kennedy: It's isolated, not as much as it used to be, but it's still somewhat isolated. There are still parts of the lab that are very, very secret, and very inward-looking and very focused on very narrow goals. That culture is slowly evolving to a different culture, but it's just taken sixty-plus years [laughter], and it's still moving in that direction. And a lot of emphasis on recruiting scientists and engineers, and on doing research, and a fairly substantial budget, and periods of time when lots of money was poured into the labs, like the Strategic Defense Initiative, you know, the Star Wars. It was a lot of money went into the labs, in order to throw money to try and create this system, which obviously never happened, for technical and for budgetary reasons.

And so there was less accountability, I think. Not that anybody purposely tried to do anything wrong or avoid being fiduciaries or whatever, it just was not part of the thinking. And a tendency to promote from within, and to put people in jobs that required certain training and experience that they didn't have because they came out of technical programs. Some managers, some technical people can become great managers because they have really good intuitive management skills, or they take the time to do some studying or read some good books, or they just learned on the job, or whatever. And other technical people who are superb scientists or engineers are just lousy managers. Putting them in a management role doesn't mean that they're going to do a good job. They don't have the right instincts or the training. I mean, right now I go to Los Alamos

about once a month on a senior advisory group, and we're trying to instill a project management mentality at Los Alamos in the year 2004. And the idea of, you have deliverables that you have to produce for the government. It's got to be done on a certain time frame, and there ought to be milestones and budgets, and a lot of oversight, and so forth. For some people there, that's still kind of foreign. It's coming, but it's just taken a long time.

17-01:11:30

Lage: Do they see it—it's never been pure research, though. I was wondering if they just saw it as pure research.

17-01:11:36

Kennedy: No, it's not—it's engineering, it's applied, it's everything.

17-01:11:43

Lage: It's been defense-oriented.

17-01:11:44

Kennedy: But they do a lot of other things too.

17-01:11:46

Lage: Was that also part of the push, at a certain period of time, to have a new mission? As the Cold War came to an end.

17-01:11:56

Kennedy: Well, the push for a new mission I think had two elements. One is to do more what they call work for others, which is to take the capability that you have and to use it for—you know, like the Human Genome Project, which was done by the labs. That's kind of a health-related enterprise, but they had the computer capacity and the know-how, and so they quickly inventoried all the genes. They do other health-related research, so work for others was part of that equation. And then the whole issue of stockpile stewardship, which came out of the DOE but was implemented by the laboratories, and that is we're not building new weapons, but we have all these weapons here that we have to make sure are functional, and there's got to be an alternative to doing that other than testing, because we don't test any more. So big, like the National Emission Facility, facilities to simulate what happens in an explosion, or to look at the way in which components of the weapons decay, and to rebuild, and so forth. So the stockpile stewardship and the work for others I think is sort of the mantra that they've operated under since the end of the Cold War.

And yes, there was the threat that the budgets were going to be reduced severely, because we weren't in the arms race any more with the Russians.

17-01:13:40

Lage: Some of it's kind of self-preservation, perhaps.

17-01:13:42

Kennedy: Well, sure. On the other hand, I think, I could make the following, and have made the following argument, that preserving that scientific capability for the nation is terribly important. Whether we ever design a new weapon or build a new weapon, it's there if it's needed. And it's a huge capability that just doesn't exist anyplace else. I also believe

that having the two labs is very important for the sake of redundancy and some competitiveness and different approaches to the same problem. There are different approaches to stockpile stewardship at each of the labs, and they each have certain responsibilities that are somewhat different than the other one, and that competition and maintaining that dual capability, as a citizen, I think is pretty important.

17-01:14:38

Lage: So this is not something you're saying as an interested party.

17-01:14:43

Kennedy: I'm just saying it as a U.S. taxpayer, I think it's worth preserving.

17-01:14:48

Lage: Has that been called into question, having the two labs, Livermore and Los Alamos?

17-01:14:51

Kennedy: Oh, I think on occasion there has been thoughts of, maybe we only need one. I don't know about in recent years, but I've heard that on occasion.

[minidisc 18]

18-00:00:02

Lage: All right, we're back on, and we have to recover a little bit that was supposed to have been recorded on that last tape but wasn't. So this is—we were talking sort of in general, and then we brought up some of the problems that happened, you weren't certain of the date. Was it around the mid-nineties?

18-00:00:22

Kennedy: My recollection is that—it was during the tenure of Hecker as lab director and Hazel O'Leary as the secretary of energy, so that was the Clinton administration, and so it was probably '95 or '96, somewhere in that.

18-00:00:40

Lage: And these were safety issues? So if you just kind of recoup what we—

18-00:00:44

Kennedy: Right. There were three instances of safety problems at Los Alamos. After many years of actually having a pretty good safety record, there were these three instances in a period of about a year or so. One was a contractor employee who was jackhammering a concrete slab in the basement of a building and hit a high-voltage power line and was severely injured, and I think is still alive but in a coma.

Then there was a security exercise in which one of the guards did not change out his ammunition to blanks, and shot another guard and killed him.

And then there was an incident of either a scientist or engineer or technical person who decided to drive a fork-truck, which he was not authorized or trained to drive, and went off the end of a loading dock and was severely injured.

So these three instances really caused a lot of issue with the DOE over the safety procedures at Los Alamos. I, as part of my responsibility, put together a committee

made up of some external as well as some internal people. Bob Kuckuck chaired it, who is now the deputy director of Livermore, having left the lab administration office, brought in some safety experts from industry. Actually one safety fellow from here in San Diego who worked for San Diego Gas & Electric company, brought in a faculty member from back East who was an expert on safety procedures and integrated safety management programs, and charged them with reviewing the situation at Los Alamos and coming up with recommendations, which they did. This was to basically integrate safety into the day-to-day work.

The program there, while on paper was effective, it really was, I think, a paper tiger in that everybody checked the boxes and covered the bases with the necessary paper, but in practice, they weren't doing things and integrating it into their day-to-day operations, and that was the whole idea of an integrated safety program.

18-00:03:24

Lage:

And you mentioned it was even more important, since there was the nuclear aspect.

18-00:03:29

Kennedy:

Right. These three instances were not nuclear accidents, but because there is nuclear material at the lab, plutonium facilities and the like, bad safety practices could result in an incident that could involve nuclear material. So it is a very serious issue. So again, this required new policies and procedures to be put into place, and it required the training of everyone at the laboratory. There were stand-downs where the lab was stopped, work was stopped for days at a time, in order to raise the level of awareness on the part of the lab employees about safety. There was resentment on the part of some of the scientists and engineers who have big egos and felt, "Gee, I know how to operate safely, and I don't have to do this training, and I shouldn't have to be involved in all of this. That's not my responsibility." But in fact, it really was everybody's responsibility.

18-00:04:40

Lage:

And did you get the brunt of some of this resentment?

18-00:04:43

Kennedy:

Sure, yes, we did. I think—I had mentioned one visit to the lab, Jud King and I went on one of our visits, and we would try to meet with groups of scientists and engineers during those meetings, just to sort of get a feel for what their issues were and so forth. At one luncheon, a relatively young scientist just really gave us a tongue-lashing about all the time and effort he was spending on this safety "crap," as he called it. The director happened to be there and really dressed him down for that. But it didn't make me feel good, because clearly, even though he got dressed down by the director, I don't think he had taken it as seriously as he should have.

18-00:05:35

Lage:

And how do you get that message across, other than—

18-00:05:37

Kennedy:

Well, you just have to keep—you have to make it part of the culture. You just have to keep hammering at it. After these things were put in place, at every meeting, the first words out of the person's mouth who was running the meeting would be safety. Even as mundane as, We're going to have this big meeting in this big room, and I want everybody to know that the fire exits are over there and over there. I mean, it went from

there into the more serious things, but it just became—people made little buttons, “integrated safety management” buttons. It just became really important.

But things are going to happen, because humans are involved, and that wasn’t the end of safety instances. There were other things that occurred in the future.

18-00:06:32

Lage: You mentioned that Hazel O’Leary was secretary of energy. Did she get involved, is that how you remember?

18-00:06:37

Kennedy: Oh, yes.

18-00:06:38

Lage: Tell me about that.

18-00:06:40

Kennedy: Well, I had gone back to Washington a couple of times and met with the individual in the DOE who was responsible for safety, and I don’t remember the individual’s name. It was a woman who left not too long after that. But to try and explain to her what we were doing, and the committee that I appointed to report, that we were implementing changes, and while we were quite concerned about what had happened, we thought we were moving in the right direction, and so forth. And then at one point, Hazel O’Leary summoned Sieg Hecker and me to—well, actually she summoned Dick Atkinson, who was then president—I think Dick was president then; yes, he was—Dick Atkinson to come back for a meeting to talk about these safety issues. Well, it happened to coincide with a Board of Regents meeting, and in those days, the board met on Thursday and Friday, and Dick couldn’t possibly not go to the board meeting. So even though I was heavily involved in the board meeting, I went back in his stead.

So I met Sieg Hecker in Washington, and we both met with the secretary, and she gave us quite a lashing, [laughs] I would say.

18-00:08:03

Lage: What was she like?

18-00:08:04

Kennedy: She was a very political animal, I think. She was very personable, but she could be quite tough when indicated. And I think was very concerned about the image of the DOE and the image of the secretary’s office. Again, these are the kinds of things that make the newspapers, and people start talking about congressional hearings over—so all that reflects on the people in charge.

18-00:08:39

Lage: Now, would these—two ways. Did the university get sued, or the government, over these issues?

18-00:08:46

Kennedy: No, I don’t have any recollection of lawsuits.

18-00:08:51

Lage: Did it affect your performance rating?

- 18-00:08:54  
Kennedy: Well, sure, on the safety, yes, it did.
- 18-00:08:58  
Lage: So that would have affected how much cost you recover.
- 18-00:09:01  
Kennedy: Right. I mean, I don't think it was enough to sink us, but it was a black mark, clearly. And then when it comes time to start thinking about contract renewal, these kinds of things get dredged up.
- 18-00:09:18  
Lage: Well, when you saw a weakness in one area like that, did you start thinking, Where else are there problems? Or did you already have a sense of where there were problems?
- 18-00:09:26  
Kennedy: We were implementing the performance measures, and were doing reasonably well in the areas where we were being measured. I think all of us had a sense that the labs could be better managed than they were. I think we had the same feeling about some of the campuses, but again, it's a question of balance and resources, and it's a question of how much oversight is too much oversight by the Office of the President. I mean, you hire a chancellor or a director to run the laboratory or the campus, and you sort of watch what goes on and provide oversight, and when you see things that do not appear to be appropriate, you take whatever action is indicated. But you can't be there every day, and you can't look at everything, and you have to make—in a sense hold the management accountable.
- 18-00:10:33  
Lage: Did you treat them pretty much as you would a campus, in terms of autonomy versus—
- 18-00:10:39  
Kennedy: Well, again, I think this is all part of this evolution we talked about earlier with the labs. I think in the nineties, prior to the '92 contract, I think the labs had a great deal of autonomy. I think the '92 contract with the performance measures compromised that autonomy somewhat, but the culture was still sort of independent and autonomous. I think it's evolving to much more, a much closer oversight by the university, and more attention paid by the Office of the President. When I was vice president, the labs in my portfolio were one piece of a very broad set of responsibilities. Early on in my tenure, I spent precious little time with reference to the labs, because I had other things that at the moment had a higher priority, because they were bigger problems for me and for the university. In the tail end of my tenure, I was spending about half my time on lab issues, because they were sort of overwhelming my agenda, with the issue of the Wen Ho Lee and the security matters, and contract negotiations, and then trying to get the contract extended and satisfy people that we were providing the appropriate amount of oversight.
- 18-00:12:27  
Lage: What comes next chronologically? We talked about the safety issues. What would be the next set? Contract renegotiation, or go on to other—?

18-00:12:38  
Kennedy:

Well, I think chronologically, the next sort of major event was the renegotiation of the contract. I think you have to understand that the university operated under five-year contracts. So on October 1 of 1992—actually, it was beyond that, because the contract wasn't finally negotiated and signed until after October 1 of '92, and the old contract had been extended on a I guess month-to-month basis.

So when I went up there in '93, we were still in the first year of the new contract, and so you're putting a whole bunch of things in place to get the new contract underway, a different contract, performance measures and so forth. Setting up a new office in the lab administration office, recruiting, and sort of getting used to a new mode of operation. Before you know it, you're three years into the contract and you have to start thinking about, Well, what's going to happen six or seven or eight months from now when the DOE has a decision to make? The decision is to negotiate or compete. Of course, it was always in the UC's best interest to just have a negotiation and not have a competition, and we had never had a competition.

18-00:14:04  
Lage:

Yes, you'd never had a competition. When did that specter start being raised?

18-00:14:08  
Kennedy:

Well, it starts—people start talking about it about two years before the expiration date of the contract.

18-00:14:13  
Lage:

Oh, so it comes up each time?

18-00:14:14  
Kennedy:

Oh, sure, yes. And there's internal and external issues. Internally, you've got the faculty. What are the faculty going to do this time? Are they going to be for or against? And how do you engage the faculty in the debate about should the university continue to manage the labs? Every time there's an untoward incident, there are certain faculty members who complain, "The university shouldn't be managing these labs anyway," and "What are we doing in the weapons business," and "The university doesn't have the expertise to manage weapons—" you know, all the normal issues.

And then you've got the people in Congress saying, "Well, we ought to compete this contract because the university has had it forever," or "The university doesn't know how to manage laboratories, it ought to be an industrial contract," or "We ought to compete the labs separately, and one ought to manage Livermore and another ought to manage Los Alamos," and everything you can imagine starts to bubble up. So the university chore is, well, how do you manage, how do you play out all of this to try and get the best outcome? In the eyes of I think the university and the regents and so forth is the best outcome is, we negotiate a new five-year contract.

18-00:15:39  
Lage:

Right, and you don't want to compete, because that's a big deal.

18-00:15:41  
Kennedy:

We don't want to compete, because it costs a lot of time and money and energy, and we've never competed before, and you can always lose if there's a competition. There's

no guarantee. So you try to do the right things that will convince the DOE and whoever has to be convinced that the contract ought to simply be extended, because it's in the best interest of the mission of the U.S., the government, the DOE, the labs, and so forth.

So you begin talking about these things, and you have discussions at all levels: internally, externally, with the DOE, with the labs, with Congress—

18-00:16:22

Lage: And who's the point person for all of this?

18-00:16:24

Kennedy: Well, me. [laughter] I was pretty much—I mean, obviously with the provost and the president and everybody, but—

18-00:16:32

Lage: But is there sort of a plan? It was partly a P.R. plan.

18-00:16:37

Kennedy: Yes, we had a—well, let's say it was an informational effort. And I think we had certain sort of principles or bylines that we thought were important. One is that the university wanted to continue to do this as a public service, that the university did it basically for no loss, no gain, because even though we got a management fee, most of that money went back into the laboratories in university-directed research and development. We didn't keep the money.

18-00:17:15

Lage: You mean, you were able to give it to the labs for research?

18-00:17:19

Kennedy: Right. For lab and for joint university-lab research, but we didn't take it and use it to pay administrator salaries or to build buildings or whatever.

18-00:17:30

Lage: But did it pay part of your salary, since you—

18-00:17:32

Kennedy: Well, we got overhead. We got less than our normal overhead, because we didn't have facilities, it was all government facilities. But we did get an overhead that paid for those of us who—and I think that was a fair reimbursement.

18-00:17:47

Lage: Did you ever question, with the president and the provost, whether you wanted to continue?

18-00:17:52

Kennedy: Well, I think there was an implied assumption that the university wanted to continue to manage the laboratories. I can remember raising one time with, I think Dick Atkinson and Bruce Darling were in the car, we were going to Santa Cruz for a Council of Chancellors meeting. It was along the time when we hadn't started negotiating but were still waiting for DOE to decide what they were going to do. I was advocating that we ought to at least have a discussion, and it could be an internal and private discussion, about whether we ought to continue to manage the labs or not. My rationale was, it

takes a huge amount of effort on the part of the university administration. It takes my time, it takes the president time, it takes the provost time, and others, and we had lots of issues to deal with in the university. Enrollments, affirmative action, all of our normal business of trying to manage a big enterprise, and I was seeing myself getting diverted more and more into laboratory kinds of things.

I don't think the president was interested in that discussion. And then I was at a—

18-00:19:18

Lage:

He didn't even want to toss the idea around?

18-00:19:20

Kennedy:

No, he didn't want to toss the idea around, no. And I don't know whether—some day I'm going to ask Dick—whether it's because a president doesn't want to lose something like that during his tenure, or whether he genuinely—and I think he does believe that the university is the best organization to run the laboratories, and I believe that too, but it's a question of priorities for the university. Is it as important to the university to do that public service, and perhaps spend less of our time worrying about other things? I mean, that's a debate for which there's no real answer.

But then I was advocating that we ought to at least have an exit strategy, because suppose we learn that DOE is thinking about not negotiating but competing. Does the university want to compete? You should always have an exit strategy. I didn't get very far with that argument either, quite frankly.

18-00:20:24

Lage:

David Gardner had always said the university would never compete.

18-00:20:28

Kennedy:

Well, we used that in our discussions, but that was never the regents' policy. As far as I know, the regents never said, "We will not compete," or "We shall not compete." And I think, if I recall, in today's climate, I think the regents have given the president the authority to make that decision for the upcoming competition.

18-00:20:59

Lage:

Really?

18-00:21:00

Kennedy:

But I don't—I know during my tenure, we never went to the board and said, "We want you to affirm the fact that we're not going to compete." That was not taken to the board. So one could make that assumption, because the university had said that, but only the regents in the end could make that decision. And we never asked the board to make that decision. We also said that we only wanted to manage both labs, not one, and if they were going to split them, then we weren't interested. But I don't think we ever asked the regents that question either, but that was our opinion. I think that was the president's view, and I think it's my view too.

I can argue, and have, either way. That the university should run the labs, and I can argue the university should not run the labs.

18-00:21:57

Lage:

And what do you think, at your core?

18-00:22:01

Kennedy:

Well, I think that the university has done a great public service over the sixty-plus years it's run Los Alamos and fifty-plus it's run Livermore, and obviously I believe that about Berkeley. I have a hard time imagining another contractor in there, but I'm sure that it can happen, and I'm sure somebody else can do a good job. I like the idea of a nonprofit, non-defense-oriented organization. I think the university does bring the highest level of scientific integrity, and a certain independence on the part of the scientists and engineers at the laboratory that you would not have if they were employees of a for-profit. Because we, to the extent that we can, with keeping security in mind, we do encourage lab scientists to publish and be free in their criticisms, and that's terribly important. Sometimes we disagree with them, like all this stuff over Yucca Mountain, for example. A lot of the opposition has come from our own folks from time to time, but that's important. That's what universities are all about, and that's important for the—as long as it can be done in the context of security and doesn't compromise the security of the laboratories.

So I guess in the main, I'm an advocate of the university continuing to do it, but I think periodically it's healthy for the university to assess that. Every five years, in a sense, you have to assess it, because it comes up for a decision. I just don't know that up until even now, whether the university seriously debated that question. I think people like—I think the regents like running the laboratories. I think they view that as a very positive thing. And it is, and it's a big piece of the university's history and portfolio. But I think periodically, there ought to be an honest to goodness debate.

Now, the faculty used to force that debate, but it was always on the grounds of nuclear weapons and security and openness, not on the basis of, Is this taking too much away from the university in terms of its time and attention from other things? At least I don't think so.

18-00:24:37

Lage:

Is it central to the mission, and does it detract from the central mission?

18-00:24:41

Kennedy:

And I guess—I mean, if you look at the involvement of the faculty at the labs, I'm talking about the weapons labs, as I recall, I think the folks at Los Alamos tell me that of all the faculty members that interact with them, only about 10 percent are UC faculty. And if somebody else managed Los Alamos, I suspect those faculty would continue to have that interaction. Those programs that are joint programs and our faculty would go and use facilities at Los Alamos will continue to do that. I've been working with the dean of engineering here at UCSD to develop a joint master's program, engineering program with Los Alamos as a way of feeding engineers into the laboratory. That will go forward regardless of who's managing the contract. We are also talking about a joint program with the new school of management here.

18-00:25:35

Lage:

And you don't think that if Texas or some other university took it, that they would direct that stuff to their own campuses?

18-00:25:40  
Kennedy: Maybe over the long haul, but these programs are either launched or about to be launched, and I don't see that changing overnight. Maybe down the road, it might. It's hard to say what will happen.

18-00:25:54  
Lage: So you raised these questions back—

18-00:25:57  
Kennedy: In '96.

18-00:25:59  
Lage: In 1997 before there were really all the tremendous uproar—

18-00:26:03  
Kennedy: Yes, I raised them, but I didn't raise them very far, because I didn't get very far with—

18-00:26:09  
Lage: Nobody else helped lift it.

18-00:26:10  
Kennedy: Nobody else seemed to be interested. And the focus was positioning the university so there would not be a competition, it would be a negotiation.

18-00:26:19  
Lage: Was that a difficult process?

18-00:26:22  
Kennedy: Well, I mean, there—

18-00:26:24  
Lage: You talked to the energy, did you talk to DOE—

18-00:26:26  
Kennedy: Yes, you talk to DOE, you talk to people in the secretary's office, you talk to people in defense programs, you talk to your congressional staff. I mean, I went to Washington any number of times and met with congressional staff.

18-00:26:45  
Lage: Now, congressional staff. You mean—

18-00:26:48  
Kennedy: Members of Congress and their staffs both.

18-00:26:55  
Lage: I see. Were the members of Congress from California—

18-00:26:56  
Kennedy: Both.

18-00:26:55  
Lage: —and the senators interested?

18-00:26:59

Kennedy:

Both people from California, people from New Mexico, Senator [Pete] Domenici, Senator [Jeff] Bingaman.

18-00:27:11

Lage:

Did they have a point of view that—

18-00:27:14

Kennedy:

Well, I think in the main, up until the most recent issues at Los Alamos, that Senator Domenici I think in general has been supportive of the university. I think he's criticized us when the criticism was merited. But I think in the main, he's been supportive. I think Senator Bingaman has been supportive, and Congressman [Bill] Richardson and then Secretary Richardson and now Governor Richardson I think has been supportive of the University of California. Again, they've been critical when criticism was deserved, or at least when they thought it was deserved.

18-00:28:01

Lage:

So how was the decision made that the university wouldn't have to compete?

18-00:28:05

Kennedy:

Well, we made the argument, one, that as you raised earlier, that the university was not likely to compete. We had never competed, but we were happy to negotiate. I think we made the point that we felt very strongly that it was both weapons labs or none. We made all the arguments on the merits of what we had done, both in the science and technology arena as well as the management. Because we had a good track record. Between '92 when the new contract was implemented and '97, yes, we had the safety issues, but there was good progress made in a number of managerial areas, in procurement and inventory control and so forth. So we made the arguments that on the merits, and that we felt it was good for the country for the university to continue to manage it.

We had support out of the Los Alamos community. I spent a lot of time in the community in Los Alamos. One of the first encounters I had with the Los Alamos community was shortly after I became vice president, a group of community people came to the president's office and asked for a meeting, or called and asked for a meeting. I don't remember why it was decided that I was going to meet with them, as opposed to the president or the provost, but I ended up fielding the meeting, and it was about, I don't know, eight or nine or ten people, including the head of the chamber of commerce and some of the business people from Los Alamos. Their issue was that they didn't think the university was as good a corporate citizen as it could be. That they felt the university needed to have a presence—[coughing] I'm starting to lose my voice.

18-00:30:01

Lage:

Yes, we'd better stop very soon here.

18-00:30:05

Kennedy:

They felt the university should have more of a presence, and that they were not getting the attention that they felt they deserved from the laboratory. And I had a very good meeting with them. I was not defending anything; I'm new, I want to listen to what you have to say, and I want to do the right things. I told them my story about visiting Los

Alamos when I was seven years old, and that was—that kind of broke the barriers a little bit. They thought that was kind of neat.

But as a result of that meeting, I opened an office in Los Alamos, in the city. First staffed part-time, but then later I think we now have two or three full-time people, and we still maintain that office as a place where the community can come and deal with the university, not the laboratory but the university as the contractor. We put some computer terminals in there so they could get access to information about the university. There's a library there, people to help them, and so forth. And they're interested in business development and so forth in northern New Mexico, and we've tried to make an effort there in recent times.

18-00:31:23

Lage:

Did you also get interest from people with an environmental bent?

18-00:31:29

Kennedy:

Well, yes, you get criticisms from people who are environmentalists, because of the legacy of the lab. But there's a lot of work being done in New Mexico having to do with that by the New Mexico Environmental Agency, and there are a lot of things the lab does in terms of monitoring and test bores and so forth to try and monitor things. Then there are people who are just critical of the university, many of them or some of them are former lab employees who retired and, I don't know, don't have anything else to do, and—

18-00:32:07

Lage:

But did that office kind of take care of—

18-00:32:09

Kennedy:

Yes, they helped. But there are always issues, personnel issues, people feel they've been mistreated by the lab human resources and looking for a place to appeal. So there's always a hundred issues to deal with.

But the idea was that I think the people were quite correct in that the university didn't have a presence.

18-00:32:33

Lage:

An absentee landlord.

18-00:32:35

Kennedy:

We were sort of an absentee landlord. At least at Livermore, even though we didn't have an office at Livermore, we were just down the road, twenty-five, thirty minutes away. And we were in California; here is New Mexico. So I think that was an important step. Helping in the community in terms of educational issues, providing some joint efforts with the University of New Mexico and New Mexico State and so forth, opportunities for joint programs and the like. All these things to demonstrate—and I think something the university should have done. Being in another state and being the manager of a major facility like that, I think. But you know, we weren't a business, and corporate citizenship was not sort of part of the things that the university did. I think they do a much better job now.

So all of these things were some of them part of a strategy to have a negotiation. Part of them were the right things to do—I mean, most of them were the right things to do, obviously. More of an awareness of our responsibility as a contractor. I think it was kind of a cultural, maturing, evolutionary process that continues today.

18-00:34:17

Lage: So you were successful in getting the decision to negotiate.

18-00:34:25

Kennedy: We did get DOE to agree to negotiate.

18-00:34:31

Lage: And was that DOE still under O’Leary?

18-00:34:34

Kennedy: Gee, you know, I have to think about that for a minute. It may have been Richardson. ’97, I’d have to go back and look. So that decision—it must—let’s see. It either was O’Leary or at the front end of Bill Richardson’s tenure, I’m just not—oh, no, I take it back. It was [Federico] Peña. There was a Secretary Peña.

18-00:35:00

Lage: Oh, I’d forgotten him.

18-00:35:01

Kennedy: Forgot about Federico Peña, who was there only a short period, a year or something. [February 1997 through June 1998] That was Peña who was—well, at least he was the director when we finished the negotiation. I don’t remember whether he was the secretary when the decision was made not to compete. But he was the secretary when the contract was finalized, because I remember the last sort of blessing was he and Atkinson after we had negotiated the whole thing got together at Livermore and negotiated the last dot or something like that.

18-00:35:40

Lage: The formality.

18-00:35:40

Kennedy: Right.

18-00:35:41

Lage: Okay, well, why don’t—

18-00:35:43

Kennedy: We’d have to go back and look at the sequence of secretaries to figure out who it was.

18-00:35:47

Lage: Yes, I’d forgotten that that one—

18-00:35:49

Kennedy: May have been Hazel, must have been Hazel.

18-00:35:50

Lage: Who actually made the choice. What do you say we give your voice a rest and stop here?

18-00:35:57

Kennedy:

I'm actually running out of voice.

18-00:36:03

Lage:

Yes, you are, we put you through your paces too much here.

[end of session]

[Interview 9: March 11, 2004]  
[minidisc 19]

19-00:00:02

Lage: Okay, we are recording. Today is March 11, 2004, and we're on our ninth session with Wayne Kennedy. We're in the midst of a discussion of your role and the university president's role in the national labs. I think we had gotten to the point where you were going to tell about the process of negotiating for renewal of the contract in '97.

19-00:00:34

Kennedy: Okay. I think yesterday we went through the, in a sense, getting ourselves prepared and helping the DOE make a decision to extend and negotiate and not compete the contract.

19-00:00:52

Lage: Right.

19-00:00:52

Kennedy: And then we had to obviously negotiate a new five-year contract for all three laboratories, by the way. That's the two weapons labs—Los Alamos, Livermore—and then the Berkeley lab. And the Berkeley lab, because it's a non-weapons lab, a basic science lab, it's a similar contract but it has some slightly different features to it. But the negotiations were fundamentally all done at the same time.

There were, however, some special provisions that the government wanted in the Los Alamos contract as a result of the safety deficiencies that we talked about some time ago. Maybe I'll just cover those briefly, because they're kind of interesting. The deputy secretary, I believe that was his title, Charlie Curtis at the time, and I'm reasonably certain that this was still under the Hazel O'Leary secretariat, but we could check the dates on that—but there was concern about Los Alamos and about safety, and I assume that there was also some maybe pressure or inquiries from Congress about extending these contracts, in the face of there being deficiencies in the safety area.

19-00:02:24

Lage: And was that the only area that they focused on?

19-00:02:29

Kennedy: That was the focus. We still had the performance measures, and they were refined a bit in the '97 contract to take into account the experience over the previous several years. But the focus on safety was because it was viewed as, A, a problem, B, a deficiency, and those who were sort of anti-University of California managing the labs obviously used that as fodder, if you like, to try to convince the DOE they should do something different.

19-00:03:08

Lage: And were those—I don't mean to get round your train of thought—but were they, the people in Congress, particular people who you identified as being anti—

19-00:03:15

Kennedy: I can't identify any particular people. We know that from time to time, there were people in Congress who were questioning why the contracts weren't bid, and why

didn't other prospective contractors have an opportunity. The rationale always was the great science of the University of California and reasons for not wanting to change contractors at particular times. But whenever there was an issue that could be used by people who felt differently, those issues would be utilized.

But to counteract that, the DOE, and I think this was Charlie Curtis' idea, was to put a special provision in the Los Alamos contract that laid out some specific goals that had to be achieved in the area of safety in a certain time frame, and if we didn't meet those conditions in a certain time frame, then the DOE could early terminate the contract. And in fact, it became known as an off-ramp. We didn't like that term, and I only use it because I think it does have some historical interest, but I preferred to call it special provisions and not off-ramp. Off-ramp sounded a little crass to me, that suddenly we were going to be taken off the contract or whatever. We were very confident we could meet the criteria.

19-00:04:56

Lage:

You didn't make strenuous objection.

19-00:04:59

Kennedy:

Oh, we did, and I personally met with Charlie Curtis and tried to dissuade him from the special provisions. Had a meeting with him, I'm pretty sure it was at the Livermore lab. He was visiting, and we were out there, and I had some private moments with him. I tried to argue against the special provisions, because we thought we had fixed the problem. Yes, it was a problem, we had been working very hard to implement an integrated safety management program. As I had mentioned earlier, we had a special committee that had done really good work, and that report I think was accepted by the DOE as a legitimate approach, and we were following all the DOE requirements. But he felt that it had to be in there, that politically it was something that had to be done, and was not willing to consider removing the special provisions. And I wanted it out, because it was an additional burden on the laboratory and on the university which at that moment seemed to be somewhat unnecessary from a pragmatic point of view. But in any event, that certainly wasn't a deal-breaker for the university at all.

But in any event, so we started negotiations, and I don't recall the precise date, but it was probably some time around the summer of '96 when we started, because I know we didn't finish until almost the last moment in the fall of '97, because we didn't take the contract to the Board of Regents till the September regents' meeting in '97. So it was a fourteen-, fifteen-month negotiation.

19-00:06:56

Lage:

Were the main things over these provisions, or do you talk about money and—?

19-00:07:00

Kennedy:

Everything is on the table. There is a methodical going through of what is a very lengthy set of documents full of federal regulations, and in some areas there is discretion to negotiate and in some areas there is not. But you still go through all of them. And the approach, as I recall, and I'll come back in a minute or two to the structure of our negotiating team, but to go through the contract and to in a sense put provisions in buckets: those that you could deal with readily were put in a bucket, and we agreed to those and get them out of the way; and then there was a set that we felt

could be readily negotiated with some minor changes in wording or what have you; and then there were some that we felt were going to be more egregious and more difficult to deal with, and you sort of put those off, trying to get the bulk of the contract sort of under our belts as quickly as possible, and then focus in on those areas where there were disagreements.

But that process just took a very long time, and I must say that from my vantage point, I think the university was always ready for the next negotiating session. Meaning, we did our homework very quickly and did what we were supposed to do to get ready for the next session. We found the DOE to be a bit slower and a bit more cumbersome in trying to come to grips with the issues that they had to resolve.

19-00:08:50

Lage:

So they would not come prepared to their sessions?

19-00:08:53

Kennedy:

Well, they would either not come prepared, or sessions would be delayed, or what have you. I don't know with any precision exactly how DOE went through the process, but they had a negotiating team, we had a negotiating team. I was not part of the team, but I was responsible for the negotiations for the university, and when my team would have a negotiating session, I would get a dump of that session very quickly afterwards. We would go over the issues and make decisions about what we were going to do or not do.

19-00:09:30

Lage:

Were any of these taken to the president?

19-00:09:33

Kennedy:

No.

19-00:09:33

Lage:

Or the provost?

19-00:09:34

Kennedy:

Not until the sort of tail end of things. But during the early months of negotiation, we were just sort of again methodically going through the proposed contracts and trying to resolve as many problems as possible.

19-00:09:51

Lage:

You'd think the basic structure of the contract would stay the same, and there would be a lot that was just repeated.

19-00:09:57

Kennedy:

Well, there is a lot that's repeated, but regulations change, and again, when you open up a contract for negotiation, there is an opportunity perhaps to resolve some issues that you didn't like in the previous contract, or gave you some problems in the previous contract, and so you want to take advantage of it. And so did the DOE, and so you have two parties that are trying to get the very best contract that they can within whatever flexibilities existed in the regulations and in the terms of the contract. But again, it took almost fifteen months, as I recall, to finally get it resolved.

To go back to the negotiating team: we had a four-person team. That included Bob Van Ness, who was then the assistant vice president for lab management; Bob Kuckuck, who had been in that position as head of the lab management office at its inception and then went back to Livermore as a deputy director; we had Bill Eklund, who is on the staff of the general counsel of the university assigned at the time to Los Alamos, was our legal representative; and then Janet Young, who was assistant to the president, and who had participated in the '92 negotiation. So those were our four negotiators. And then a lot of backup from people in the lab administration office and general counsel and so forth. I think it was a very good team, and they worked very hard. It was an interesting year-plus to get to the final contract.

I can recall, and I don't again remember the specifics of what the issues were, but reaching certain stalemates in which it appeared that the negotiating teams were just not going to be able to resolve their issues. The DOE point person was a gentleman by the name of Richard Hoff, who was in the—I can't remember Richard's title, but he was responsible for contracting for the Department of Energy. Richard and I had developed a really good working relationship prior to the start of negotiations, and periodically when things would really reach an impasse, then Richard and I would talk, either on the phone, or I can remember one trip going to Washington, and Provost King did go with me, and so did our negotiating team, as I recall, and we had some discussions with Richard about some of the issues. Then I had some private discussions with him, and we were able to get them resolved.

19-00:13:09

Lage:

They sound very substantive, if they were—took trips to Washington to resolve, and—but you're not—

19-00:13:18

Kennedy:

Well, you know, in retrospect, a lot of these things seemed very important at the moment. I don't know if—

19-00:13:30

Lage:

I feel kind of at a loss to picture what kinds of things—

19-00:13:32

Kennedy:

If the world would come to—well, in any contract negotiation, particularly with the federal government, it's always, at least in my experience, and I've negotiated a few in my time, it's always difficult, because they're the ones that are controlling in a sense the terms and conditions. It's their contract, and you're reacting to it. Some things, again, they have flexibility and they can yield, and in some areas it's written into law and regulation and they can't yield, and you're always trying again to negotiate the best deal you can for your institution. And they're trying to hold fast for the government's point of view. So it always gets contentious and difficult, and personalities creep into it, and the sort of bureaucratic morass of the federal government.

19-00:14:29

Lage:

Was there ever a point where you say you're going to pick up your marbles and leave?

19-00:14:32

Kennedy:

I don't think we ever got to that. We may have threatened that, but I don't think we ever got to that point. I mean, I know there was a lot of frustration. In fact, I can recall—I

even hate to admit that I took a vacation that summer—of 1997, in the middle of negotiations, but I did. I in fact went to Germany, and I was checking in periodically with the team. I can remember—I don't remember what town I was in, but some small town in Germany, and there was the time difference, so about six-thirty at night, I'm in a telephone booth phoning in to talk to Bob Van Ness and the other three members of the negotiating team, and I got on the phone, and I remember this like it was yesterday: Bob Van Ness says, "Well, we need about two hours of your time." I said, "Bob, you've got about fifteen or twenty minutes, because I have a dinner commitment this evening." And I couldn't imagine spending two hours on the phone from Germany. And it turned out we were able to get through the major issues, and quite frankly, I had great confidence in the individuals that were negotiating for us to make the right decisions and do the right things. They just wanted—I think they were frustrated and they wanted some sort of couch time, if you like.

19-00:15:57

Lage:

Yes, sounds like. Did you have any sense—at least Janet Young was involved before—of if it was a more difficult negotiation than the 1992?

19-00:16:07

Kennedy:

You know, I honestly—[pause—lights go out]

19-00:16:14

Lage:

Luckily we're not on power.

19-00:16:13

Kennedy:

We're not on power. You know what it is? I think these lights are on a sensor.

19-00:16:20

Lage:

A timer? Oh, a sensor? Oh, there they go.

19-00:16:22

Kennedy:

If there's no movement...

19-00:16:21

Lage:

Do we have to get up and dance?

19-00:16:22

Kennedy:

Every once in a while. [laughter] No music, but—.

You know, I don't recall—maybe I had discussed that with Janet, I'm not sure. But I would have to assume that the '92 contract was probably difficult, because of the performance measures which were—it was a different kind of a contract than the university ever had before.

19-00:16:50

Lage:

Right. And you were following along it.

19-00:16:52

Kennedy:

And we were following along with the first contract, refining the performance measures, then we had the special provisions for the safety issue and the like. So it was—

19-00:17:03

Lage: Were you trying to relieve some of the burdensome administrative regulation-type—?

19-00:17:09

Kennedy: Well, you always try to make it simpler and more straightforward for the university, and then there's the issue of the fee and how the fee is going to be treated. There's the issue of the indirect cost, which basically we used the same kind of calculations that you used to calculate indirect cost on regular research contracts and grants, but modified because there's no university-owned facilities involved, it's all facilities owned by the government. There's the issue of land at the Berkeley campus, and how much credit you get for payments for land lease. So all these things just take lots of time to work through the details, and to put things in place so that we felt we had a workable contract for the proposed five-year period, and the DOE felt they had a workable contract for the five-year period. It just takes a long time.

And again, we always felt we were ready to go, and worked hard, and prepared, and found sometimes that the DOE hadn't quite gotten a decision out of whoever they had to approach, and maybe they had to go up through some hierarchy to get decisions, or through legal review or whatever, and I think we were just a little more streamlined in terms of—

19-00:18:39

Lage: Not as big a bureaucracy.

19-00:18:40

Kennedy: Well, the university's a bureaucracy. We're not as big as the Department of Energy, but I also think our—I mean, I felt I had authority, making sure that I was checking through Bill Eklund with general counsel and so forth, that I didn't do anything that would be viewed as a legal liability for the university. I felt I had authority by the regents and the president to negotiate the contract. Subject, in the end, to approval by the board, because the contracts do go to the Board of Regents for final approval.

19-00:19:11

Lage: And was there any difficulty in that process?

19-00:19:15

Kennedy: In that process?

19-00:19:15

Lage: Of the regents approving?

19-00:19:17

Kennedy: No, in fact, I could comment on that now or later.

But in any event, we had a long negotiation. The president was very antsy about it, Dick Atkinson, and after several months, he would say, "What's going on?" and I'd say, "Well, we're working it as hard as—" "Well, you were optimistic we were going to get this done quickly," and I'd say, "Well, what can I tell you, Dick? We're doing the best we can, and we're always ready, and the DOE sort of isn't ready, and it's just dragging on and on and on." I think towards the summer, he was really getting antsy, because, you know, strange things happen. During this long, protracted negotiation, there could

have been some untoward event which would have caused another firestorm, and the DOE could have changed its mind—who knows. So we were very anxious to get this under our belts, so we could in a sense relax a little bit and get on with the university's business and the business of managing the laboratories and get out of the negotiating stance. But it just took that long.

I remember that the sort of final, final discussion took place between President Atkinson and then-Secretary Peña, and I think there was a changeover in secretary—again, it would probably be worth checking the dates for the record, and I can certainly do that. But Secretary Peña was visiting the Livermore lab, and we went out to visit with him. And I don't even again remember what this final issue was, but it was an issue so that the president and the secretary could agree and participate in the negotiations.

19-00:21:13

Lage:

You mean it was a set-up issue?

19-00:21:16

Kennedy:

No, it was the kind of last issue that we had to deal with, and it seems to me it had something to do with staffing or personnel, but I don't pretend to remember the details. But that discussion between the president and the secretary took about three or four minutes, and they shook hands, and it was done.

19-00:21:35

Lage:

Maybe they should have negotiated the whole thing.

19-00:21:36

Kennedy:

Well, in fact, I made that comment I think to Bruce Tarter, who was then director at Livermore, that, "Gee, we should have had these two guys negotiating, we'd have been done fifteen months ago." [laughter] But in any event, so—

19-00:21:52

Lage:

Are any of these issues, any of the things you were working out, are they substantive for what happens later, when we start getting into all kinds of problems?

19-00:22:04

Kennedy:

No, I don't really think so. I mean, my perspective, after having been intimately involved for seven-plus years and then still somewhat involved in laboratory management and thinking about the issues that have caused the most problems, I think generally, they're driven more politically—not that they don't have substance, because they do. No one wants to have an unsafe facility; no one wants to have bad business practices; and no one wants spies at our nuclear laboratories. But on the other hand, these issues got a life of their own that I think went far beyond their materiality, and that's because it's in a political milieu, and people take advantage of those kinds of issues. And it's just like the same with the university: something bad happens at the university, or there's a controversy, and it gets in the press, and then people line up on the sides. There are people for and against—and that's what these things are all about.

19-00:23:18

Lage:

That's what public life is about.

19-00:23:19  
Kennedy:

Right. So you just have to deal with it.

But then, in September when we took the contract to the regents—and I should back up a minute, because one of the things that I did ask for during the negotiation was to have a small subcommittee of regents that would be kept informed, so that when we got to taking the contract to the board, that there were some regents who were knowledgeable about what had taken place. So there was a small group of regents, and I remember John Davies, who was a regent from San Diego, is now off the board, and I believe Peter Preuss, who was also a San Diego regent, is still on the board, and I honestly don't remember—maybe Sue Johnson from Riverside, maybe one other regent. So I would periodically brief those individuals as a subgroup of the board. There is an oversight committee of the Board of Regents that has responsibility from the board's point of view for the DOE laboratories, and this was a subgroup of that larger committee of the board.

The idea was simply to keep them informed to make sure that the regents understood what was going on, understood what the issues were. There is some opinion that as these contracts have moved along over time, that the university has accepted more and more liability, and that was something we obviously worried a great deal about. There is financial liability in managing these contracts, disallowances and fines are possible. One of the things that we wanted to make sure is that the board understood what those liabilities were, and Jim Holst, the general counsel, was very much concerned about making sure that the university wasn't overly exposed—

19-00:25:27  
Lage:

And would the liability be in the performance, having payment disallowed?

19-00:25:31  
Kennedy:

It was more in disallowances, financial liability in disallowances, and in potential fines from violation of federal laws maybe having to do with nuclear materials or what have you. The university had some exemption from fines in the contract, but there had been disallowances over the years.

19-00:25:52  
Lage:

Now, disallowances of what?

19-00:25:53  
Kennedy:

Well, of cost.

19-00:25:54  
Lage:

Of costs, I see.

19-00:25:55  
Kennedy:

And I could cite some examples of those, but sometimes they're millions of dollars. I mean, these are big contracts, these are billion-plus-dollar contracts, and so with that much money being expended on an annual basis, it's not unusual that there may be some items which are unallowable cost. Now, many of those are identified and never charged against the contract. A sort of minor example, but just to sort of provide an example, would be cost for entertainment, which is not an allowable. I mean, lab directors, like chancellors, have to occasionally do entertainment, and so we have a

separate budget for that. It's not DOE money, it's allocated to the lab directors, and it's their job to make sure that if they do any entertainment, that it's charged against those funds and not DOE funds. If inadvertently it got charged against DOE funds, that could result in a disallowance.

19-00:26:53

Lage: I see.

19-00:26:54

Kennedy: Or I can remember one instance at Livermore where they had a proposed contract with another federal agency, what they call work for others, and they started working on this research before they actually had a contract with the government agency. Well, those expenses had to be paid from someplace, the salaries of the individuals and maybe supplies, materials, or whatever. Well, they were charged against DOE funds. That's inappropriate. That's a misappropriation of Department of Energy funds, because the DOE funds were not intended for that work, even though it was another federal agency. We actually had to reimburse the government for some of those dollars.

19-00:27:40

Lage: So that's the kind of thing Jim Holst would want the regents to be aware of?

19-00:27:45

Kennedy: To be aware of, but then we had to make provisions for that, because we clearly don't want to spend university dollars for things associated with the Department of Energy laboratories. And so part of the fee that we received we actually set aside in a contingency fund for things like disallowances. We actually ran calculations about our exposure, and what level should be set for contingency funds. Over the first couple of years of the contract, we actually took fee money and set it aside in a contingency fund and built up to a certain level so that we felt very comfortable that over the life of the contract, there would be no financial detriment to other university funds.

19-00:28:35

Lage: Was that new under this contract, or has that kind of been—?

19-00:28:42

Kennedy: Again, this was an evolving kind of an issue, and I don't think that—I guess we did have a contingency fund under the '92 contract, but I don't remember the level of it. But in the '97 contract, I believe it up to \$25 million over the first couple of years.

19-00:29:06

Lage: Did it get used?

19-00:29:07

Kennedy: Sure. Not all of it, but some of it. Some of it was used, sure. I mean, the disallowance I mentioned from this work for others, which was a couple of million bucks, as I recall, did come out of that contingency fund. And there were a lot of minor little disallowances that occasionally would creep in.

19-00:29:26

Lage: So about the regents approval process.

19-00:29:30  
Kennedy:

Well, first I kept the board informed through the little subcommittee. Periodically during the negotiations at board meetings, there would be a meeting of the committee on laboratory oversight, and I would make a presentation or Bob Van Ness would make a presentation about the status of the negotiations. And then the contract finally was completed, or the negotiations were completed, right around the time of the September 1997 regents' meeting, remembering that the contract expired September 30. I think the regents' meeting in those days was the third Thursday of the month, so we were getting close to the deadline. It was a very busy board meeting, and we had really prepared to make a fairly major presentation, to really inform the board—and the public, because it was open session—about the major terms and conditions of the contract, the liabilities that the university was taking on, and the discussion of the special provisions having to do with safety and so forth.

Turned out that the way the board operates is that—in those days, anyway—on Thursdays there were the committees of the board, and then on Fridays the board met as a board, as a committee of the whole. The lab oversight committee was scheduled towards the end of the day. It was a very busy meeting, I don't remember what the other issues of the day were, but it dragged on and on and on, and then there was some issue having to do with the chairman of the board wanting to finish the meeting in time to talk to reporters about an issue that had nothing to do with the labs but had something to do with another matter, and in order to meet reporters' deadlines, he had to get out of the room by some magic hour, and I don't know whether it's four o'clock or five o'clock, whatever.

So I kind of got up there at the last minute, and I'm trying to go through this presentation that we had prepared, and the chairman of the committee is pushing me to get it over with—

19-00:31:49  
Lage:

Who was the chairman?

19-00:31:51  
Kennedy:

I think it was Peter Preuss, but again, I'm not certain of that. I'm pretty sure it was Peter. And I must say that I don't think I was up there more than three or four minutes, after eighteen months of negotiation, and a lot of frustration, and wanting to make sure that the whole board understood all of this, and wanting to get all of this out there for the public, quite frankly. And really didn't have an opportunity to do that. The committee voted to accept the terms of the contract, and then the next day, the board voted—

19-00:32:33  
Lage:

Without any piercing questions or—?

19-00:32:36  
Kennedy:

Without any piercing questions. And then the contract was signed very quickly. Actually, I think the chairman of the board signed it that day.

So in one sense, some people said, "Gee, that was great, you don't have to answer any tough questions," but I felt that it was important for the board to be informed. On the other hand, at least three or four members of the board I think were well informed, so maybe the board took comfort in the fact that some of their colleagues had participated

in the discussion. But just with reference to the board, one of the devices that I used during my vice presidency was to ask, on special projects, for the board to appoint a small committee. I did that when we built our headquarters building in Oakland, because I thought it was really important for the board to be more than informed on something of that magnitude, and I did the same thing with the Washington, D.C., project. We had a small group of regents, and periodically at board meetings we'd get off, and I'd keep them informed, and then we'd let the whole board know periodically. But they were just more into the details. And it gave me a level of comfort that we were going down a path that the board would approve when we got to the end. I think it's a good way to work with the Board of Regents.

19-00:34:11

Lage:

Well, you could say that their lack of interest was a vote of confidence.

19-00:34:17

Kennedy:

You could say that. [laughter] Whether it was or not, I don't—

19-00:34:20

Lage:

It's very arcane, the things you had to tell them may not have been too exciting.

19-00:34:25

Kennedy:

Well, some were arcane, but some were liability issues that they clearly should understand. Because you don't want to, a year or two years later, have a major issue where there might be some huge disallowance or whatever, and then have the board say, "Well, gee, we were never informed."

19-00:34:41

Lage:

"You never told us." So were you able to get those issues covered in the few minutes that you had?

19-00:34:44

Kennedy:

Well, there was an item, there was a written item. I assume that the board reads the written material, which outlined a lot of this. But there may have been questions and there may have been discussion that would have prompted questions on the part of the board. We just never quite got to that.

19-00:35:05

Lage:

But that never came back to haunt you, I'm assuming, or did it?

19-00:35:07

Kennedy:

No, I don't think so. No, it didn't come back to haunt us.

19-00:35:13

Lage:

Well, at that point, everything seemed to be going along well with the labs. And then when—was it the security issues that started all the attention and questioning?

19-00:35:26

Kennedy:

There were two major issues in the '97 contract, or after the '97 contract was negotiated, that got a lot of focus. One was the National Ignition Facility at Livermore, and the other one was the Wen Ho Lee alleged spying issue at Los Alamos.

19-00:35:55

Lage: Shall we talk about them separately, then?

19-00:35:56

Kennedy: Yes, because I think they're two very different issues. I mean, the NIF, National Ignition Facility, this is a cutting-edge research and stockpile stewardship tool, really pushing the technology, laser technology, and I don't pretend to understand all of the technical aspects of it. But a multi-billion-dollar project which was going along, and everyone felt, and everyone had been given assurances, that it was moving pretty much on schedule and pretty much on budget.

19-00:36:41

Lage: Now, was it a building project, or—?

19-00:36:45

Kennedy: It's both a building and a huge research instrument. I mean, the building is the size of a football field, and inside of that building the size of a football field is a laser, an instrument that is cutting-edge and is very complicated and very difficult to construct. In fact, it's still under construction, it's not finished as we speak, in 2004, although they do have beam and they are, I think, beginning to use it.

But the assumption on the part of the university and I think the Department of Energy, and perhaps even the director at Livermore, was that it was moving along pretty much on time and on budget, and there was a celebration, I guess I can use that term, at Livermore when they installed this big target device, which was a big steel ball that has all these ports where the beam goes in and they do the research, and that had to be installed before the building was completed, because it's so large. So this big target chamber was delivered on site and was being installed, and they decided that this was a milestone, and there should be recognition of that. So there was a big event at Livermore; the secretary of energy, Bill Richardson then, was there; there were legislators; there were other officials. I was there representing the university; the president was not available. I was representing UC, and up on the platform with the secretary of energy and the director of the lab and legislators, and we all made a few comments, and one of the comments that Bruce Tarter, the director, made was that it's on time and on budget.

19-00:38:55

Lage: And you didn't have any reason to think—

19-00:38:58

Kennedy: Had no reason to think otherwise. Then it wasn't more than a few weeks later when it was determined that in fact it was really a project in some difficulty, and that it was going to be not on time perhaps, and certainly not on budget. This caused a very large explosion, obviously, in Washington, and in the press—

19-00:39:24

Lage: And how did it come out?

19-00:39:25

Kennedy: Well, I think the person that was responsible for the project briefed the director in a way that he hadn't been briefed before, and I don't know—

19-00:39:37

Lage: Maybe after he heard him make those remarks.

19-00:39:37

Kennedy: Well, I don't know. I don't know all the details; all I know is that suddenly, we were faced with another crisis having to do with the fact that this huge project was going to cost a heck of a lot more money than had been anticipated.

19-00:39:55

Lage: And this was in '99 also?

19-00:39:57

Kennedy: It may have been '98, I'm not sure. '98 or '99, somewhere in there. It may have been after the Wen Ho Lee, I get these dates kind of mixed up. It's all in that contract time frame.

19-00:40:08

Lage: And how did—did Bruce Tarter then let you know, or—

19-00:40:13

Kennedy: Yes. We were informed shortly thereafter, and all of this obviously came out publicly, and there were visits to Washington and hearings and all kinds of issues. And I must say, though, it's pretty rare in my experience in forty years in universities and watching and participating in a number of large scientific projects, building cyclotrons, accelerators, and so forth, most of these things, it seems to me, are underestimated, and I'm not saying with bad intention. I think people don't—I mean, obviously they want to sell the project, so they want to go in with as low a number as possible. But when you're pushing the envelope and you're pushing scientific knowledge, it's really hard to predict what it's going to cost. There were some really difficult problems that were encountered. This was an instrument that evidently was orders of magnitude more sophisticated than predecessor instruments, and even though they had lots of success with predecessor instruments. So these things happen.

19-00:41:34

Lage: Why wasn't it disclosed in a more timely fashion?

19-00:41:39

Kennedy: Well, that is the question of the day, and I can only speculate that perhaps the person who was in charge felt that they could wrestle it and bring it back in line, and at some point realized that that was not going to happen and decided that they had to inform other individuals about what was going on. So I don't want to make too much of this. There was a lot of scurrying around. There were reviews put in place by DOE, by the university, by the laboratory itself. There was change in people that were responsible for the project. There were some consultants brought in, particularly in the building arena, to help push the building part of the project along and get it accomplished. While the cost did clearly exceed the original estimates by quite a bit, I think now it's viewed as a successful project, it is going to achieve what they said it would achieve, and it was one of those issues that again, when you're dealing with large contracts and with scientific instrumentation that's cutting-edge, bad things can happen. The university and the lab became the lightning rod for a lot of adverse publicity as a result of that.

- 19-00:43:16  
Lage: Now, would those cost overruns then come from additional government monies?
- 19-00:43:21  
Kennedy: Yes, they had to come from additional government money, and actually, my recollection is that it required additional appropriations, big sums of money, hundreds of millions of dollars.
- 19-00:43:34  
Lage: But then you did lose some of the management fee over that?
- 19-00:43:37  
Kennedy: We did lose some of the management fee.
- 19-00:43:38  
Lage: On that performance-based—
- 19-00:43:40  
Kennedy: We got punished, if you like. Yes, because the fee is based on meeting certain milestones successfully, and that's one we obviously didn't meet, and so we did get punished.
- 19-00:43:53  
Lage: And then do you get called on the carpet by the regents, or were they understanding of it?
- 19-00:43:56  
Kennedy: Well, I think the regents were not happy about it, and I know that Regent Leach, who I believe at the time was chairman of the oversight committee, was quite concerned about it, and we had a number of meetings with him about it. I know that Bruce Tarter came and made presentations to the regents about the National Ignition Facility. So no, the regents clearly were not happy when things go south.
- 19-00:44:31  
Lage: Now, was that a case where you felt you should have been more involved in it?
- 19-00:44:36  
Kennedy: Well, I mean, this is another one of those evolutionary things, how much involvement should the university management have in the day-to-day operation of one of the laboratories, or, as we were talking previously, of a campus? The model had been more of appointing a director and having the director take that responsibility, and holding the director accountable to the president and the regents and the university for performance. The contract in '92 had performance measures which required the university at least to come in and evaluate in certain areas and give grades, in science and in management. But I think the culture was still pretty much not to engage in a detailed way in the day-to-day management of the laboratories.
- Now, quite frankly, one could say, Well, this was a big project, it was an important project, it was a very expensive project. The university should have been more involved. Well, that's probably true in hindsight. At the time, we all felt, based on the information that we had been provided, that things were moving along reasonably well. That's—in hindsight, we probably should have looked a little closer, but we didn't.

19-00:46:04  
Lage: Monday morning quarterbacking.

19-00:46:05  
Kennedy: Monday morning quarterbacking.

19-00:46:08  
Lage: Now, did Bruce Tarter—he left not too long after that, but does that—any reason—

19-00:46:13  
Kennedy: No, Bruce just left, what, a year and a half or two ago. So he—

19-00:46:20  
Lage: He wasn't held—

19-00:46:18  
Kennedy: Well, I think the answer is yes, he was held accountable for it. I think the judgment was that that was not the time to make a change in the directorship. Bruce took it very seriously, and I think really put the right things in place, with the help of his staff, and I give some credit here to Bob Kuckuck and others at the lab, really worked hard to get the thing corrected.

19-00:46:54  
Lage: Bob Kuckuck was the deputy at that point?

19-00:46:56  
Kennedy: Deputy for operations, right.

19-00:46:59  
Lage: So he probably had some responsibility, too.

19-00:47:00  
Kennedy: Yes. And then I guess Bruce, after—I'm trying to remember how long Bruce was director; he became director in '94, so he was in his second term as director, had I assume gone through a five-year review, satisfactory, and got reappointed for five years. So this must have been around the time that he was getting close to a second term review, which as far as I can recall, never took place. He decided to step down.

I think Bruce, my recollection is, really wanted to stay until NIF was resolved. He felt a responsibility to see it through, and I give him credit for doing that.

19-00:47:50  
Lage: Well, that's an interesting tale. Didn't get quite as much publicity as the Wen Ho Lee stuff, but it was out there.

19-00:47:58  
Kennedy: It got quite a bit. It was out there, sure.

19-00:48:00  
Lage: So should we talk about the security angle, then?

19-00:48:02  
Kennedy: Well—

19-00:48:05

Lage:

How that came to light, and—give a little background on what the university's responsibility was for security.

19-00:48:15

Kennedy:

Well, the contract clearly indicates that the university has some responsibility for safeguards and securities, and that includes the physical security at the laboratory, the “guards, gates, and guns” as they call them, and things like cyber security and making sure that classified systems are in place and so forth. But having said that, and I think the university clearly accepts responsibility for that, those programs are not driven by university requirements; they're driven by national security requirements, as promulgated by the Department of Energy. So when it comes to guns, gates, and security, the DOE determines the bar that you're going to have to jump over in order to make a satisfactory grade, and that bar gets raised periodically. They come up with new threat scenarios, and the lab has to try to meet them, and those new scenarios may come with or without additional funds to hire additional guards or whatever. So it's a very, it's an area in which—one that clearly the university is not an expert in security.

19-00:50:01

Lage:

Were they written into the contract, the security parameters?

19-00:50:03

Kennedy:

Not the specific things, no. That comes in regulations and in orders that are promulgated by the Department of Energy. And there are periodic reviews by DOE and so forth. And I guess again, I think this is another one of those issues where for fifty years-plus, the university operated under a certain premise, and I don't think that premise clearly included the university being intimately involved in the security of the laboratory. Again, clearly our responsibility, but clearly something delegated to the director working more directly with the DOE, and then having the university and the director and DOE working in a sense together.

These things never really surfaced in the way they did with the Wen Ho Lee thing, because suddenly the university was thrust into sort of a national issue having to do with security that had been pursued for quite a long time by federal agencies, the FBI included, and we knew nothing about it.

19-00:51:35

Lage:

They didn't inform the lab as they were doing this—?

19-00:51:37

Kennedy:

Well, the director was informed, but the director was also informed that he couldn't share that information with anybody, and that was one of—

19-00:51:48

Lage:

And this was Director [John] Browne?

19-00:51:51

Kennedy:

Browne. That was one of our issues with the Department of Energy, because we weren't informed. How could we be expected to do anything about an issue in which we were never told? My first recollection of Wen Ho Lee and this whole issue was a phone call from John Browne one morning in which he told me that he was going to dismiss Wen

Ho Lee as an employee. I think that was the first I had heard about this. John explained to me what the issues were.

19-00:52:32

Lage:

Had it come up in the press yet, that there was a concern about Chinese spying?

19-00:52:37

Kennedy:

No, I don't think it had come up in the press yet. I don't think it came up until around the time that he was dismissed. But again, the university was embargoed from being involved in this, and this was an issue that was being pursued by the FBI, and they clearly had discussions with people at Los Alamos, but those individuals were told that they were not to tell the contractor. And again, I—

19-00:53:12

Lage:

Although those people were in a sense part of the contractor. They were your people—

19-00:53:16

Kennedy:

They were university employees, but—

19-00:53:18

Lage:

They weren't supposed to tell—

19-00:53:19

Kennedy:

The FBI tells you not to tell something because you're going to jeopardize national security, I guess you don't tell anybody.

So the whole thing started to in a sense spin out of control, in terms of all the things in the press and in the national media about things escaping from the laboratory, secrets and so forth. The university was again right in the middle of a big controversy, raising questions about the university, great science—I think there was a report written by a blue-ribbon committee that had been appointed, and I think the title of it was, "Great Science, Lousy Security" or something like that, which was an eye-catching title but I'm not sure exactly what it means. And so we again found ourself right in the middle of it, and the controversy of Dr. Lee, who at least as everything I've read in the press, there's never been proof that anything ever escaped and into the wrong hands. Clearly in my head, he did inappropriate things. He took material that was not supposed to leave the laboratory and took it home and—

19-00:54:43

Lage:

He copied onto his personal disk—

19-00:54:45

Kennedy:

Copied onto his laptop and so forth. And I think those are grounds for dismissal, and—

19-00:54:55

Lage:

Were they the grounds for dismissal?

19-00:54:55

Kennedy:

They were the grounds for dismissal, yes. I think the director made the decision that he needed to dismiss Wen Ho Lee, and he discussed that decision with me, and I agreed with him.

19-00:55:12

Lage:

And that was the first you'd heard of it, so he had to kind of outline the whole thing?

19-00:55:14

Kennedy:

Well, I may have heard about it shortly before then, but not—it wasn't much time before then. And then as we got more and more into an understanding what was going on, and tried to understand what the university's role should be in all of this, we did make some changes. We actually hired someone into our lab administration office who had experience in security matters to help provide a higher level of oversight that clearly we were not providing. And again, and I keep coming back to this issue of this evolutionary sort of arrangement, where historically, I think the university was there to manage, but more to provide technical expertise. I think we always took the management responsibility seriously, but it was under this model where the management in effect was delegated to the director, with some oversight by the university, and then that evolved into a performance-based contract in '92, more oversight in '97, with the special provisions in terms of safety, and then we hit the NIF thing and the university needed to provide more oversight in project management, and then you hit the Wen Ho Lee issue, and the university needs to provide more oversight in safeguards and securities, and so as—

19-00:56:56

Lage:

The costs of managing get—

19-00:56:58

Kennedy:

As an evolutionary process, the university is becoming, has become, more and more and more involved in the details, in the day-to-day operations of the laboratory, and that's a cultural change. People could say, "Well, you should have always done that, and what's the big deal, that's what you should have been doing." It is a big deal, it is a cultural change, and it's still a work in progress. I think we're still defining the level of university involvement as the contractor. Whether the university continues to manage the labs or not the next go-round, that evolution is still moving along.

The other thing we need to chat about at some point is, when I retired, there was a position created of vice president for laboratory management, and that individual now has the responsibility which was formerly shared by the senior vice president for business and finance and the provost. That's now—

19-00:58:03

Lage:

Oh, I see. And does he report to both individuals?

19-00:58:06

Kennedy:

He reports to the president, with a strong relationship to the two senior vice presidents.

19-00:58:13

Lage:

And who is that that was appointed?

19-00:58:15

Kennedy:

Well, the original person in the position was John McTague, but he left some months or so ago, I can't remember exactly when, and then the person currently in the position is Admiral Robert Foley—admiral retired—who's been in the position I think since November 1.

- 19-00:58:36  
Lage: So he would be over all of these issues, of security and safety and building and—
- 19-00:58:41  
Kennedy: Yes. Now the lab administration office reports to the vice president, the oversight functions from a scientific-academic point of view that were in the provost's office now reports in to the vice president for lab.
- 19-00:58:58  
Lage: That seems like a cultural change.
- 19-00:58:59  
Kennedy: That's a cultural change, too.
- 19-00:59:00  
Lage: Not to report to the provost when there are matters of research.
- 19-00:59:07  
Kennedy: Well, again, there is a strong relationship to the provost, but I think from a management point of view, having all of that report in to one individual at this particular evolution in the process, I think made sense. I was an advocate of it, and the president, Dick Atkinson, made that decision about the time I stepped down, and about the time we were getting the contract extended from what would have been a 2002 expiration date to a 2005 expiration date.
- 19-00:59:40  
Lage: Now, there were a lot of, at the time of the Wen Ho Lee or after, lost disks and things that—were they serious matters?
- 19-00:59:54  
Kennedy: Well, all these things are serious. On a scale of one to ten, it's all hindsight again, but at the time, I'm sure everybody thought it was a ten. It may have been a six or seven. None of these things should happen, and there's no excuses for them happening, but they did, and when they do, then you have to take the lessons learned and make sure they don't happen again, and things get improved. I mean, it's just—it's not a perfect world, they're not perfect laboratories, we're not a perfect university, and no matter what, there are going to be untoward events that occur, even with the best of intentions and the best of people.
- 19-01:00:43  
Lage: Now, some people say Wen Ho Lee was really victimized. Did the lab, were they ever accused of insensitive handling or overreaction?
- 19-01:00:51  
Kennedy: Well, I think some of the press, and there have been some books written—
- 19-01:00:58  
Lage: And the judge.
- 19-01:00:58  
Kennedy: But I think that he did something that was clearly wrong, that was clearly in violation of laboratory policy, and for that, he should have been dismissed. The rest of the issue, in

terms of his being put in jail and going to court and so forth, that's something the university and the lab had nothing to do with. That is a decision made by the attorney general and the United States government. That was not our decision to make. But the actions that the university and the laboratory took I think were very appropriate, and I really honestly believe that. No one should violate the policies the way he did and not be dismissed for it. I just think it was a very egregious offense and should not be tolerated.

19-01:02:10

Lage: Was it an unusual offense, do you think? Do you think others might have done the same, but just weren't under suspicion—?

19-01:02:17

Kennedy: I've seen no evidence that other people have done that. That's not to say that it's not possible. I know, I read in the paper that the director of the CIA did it.

19-01:02:29

Lage: Oh, that's right! I'd forgotten that.

19-01:02:32

Kennedy: Took his laptop home with classified information in it, and I don't know what the punishment was, but that was inappropriate. No one should be above the policies and rules that are in effect, because you're trying to protect the U.S. secrets. So I feel very comfortable with what the university did, in terms of taking action. The rest of it I don't really have much of an opinion about.

19-01:03:00

Lage: Well, part of the fallout must have affected the labs and the culture of the labs, and one of the fallout was starting to give lie-detector tests to scientists. Is that a routine thing that every—

19-01:03:12

Kennedy: Right. Well, it wasn't routine, but this became sort of a cause celebre of the DOE to tighten up the security, and to use lie detectors as one of the methods of doing that. I honestly, that's been sort of back and forth in terms of the application. I don't think they're currently testing everyone on a regular basis. I think it became sort of mission impossible, in terms of the numbers and so forth. And it's very controversial, obviously.

19-01:03:46

Lage: I would think the scientists would just, it would be infuriating.

19-01:03:49

Kennedy: I think many of them were, and the other fallout of all of this is much tighter security and concerns about foreign nationals having access to the laboratories, and foreign graduate students, and so there's really been quite a bit of change that's taken place as a result of all of this.

19-01:04:13

Lage: What has happened along those lines?

19-01:04:15  
Kennedy:

Well, it's much more difficult for foreign nationals now to work at the laboratory, and they have less access than they had before. They never had access to super secure areas, but extra-special care has to be taken now. I think the recruitment of foreign nationals has become more difficult as a result. There are lots of foreign nationals that are recruited into scientific positions in the U.S. because we're not able to have enough of a supply to meet our own needs, so we bring in people from other countries.

And then the whole issue of scientific freedom, and one of the real hallmarks of the university operating the labs is to have that culture and environment where the scientists are free to publish—not, obviously, classified material, but are encouraged and free to publish in scientific journals, and to attend scientific meetings and discuss their research, and what have you. That's become somewhat stilted as a result of all this. I think people were concerned about, If I say this, is that going to be interpreted as being inappropriate because it was something that's not classified but might be related to something?

19-01:05:44  
Lage:

Because a lot of the case built against Wen Ho Lee was based on things that had been presented in open sessions, but wasn't classified.

19-01:05:50  
Kennedy:

Right. And it's really hard to define all of this and to give people a level of comfort where they feel that they're free to discuss certain things, and how do you—there was a period during the Hazel O'Leary administration as secretary of the DOE where lots of classified material was declassified. Once you declassify something, I believe you can't go back and reclassify it. So a lot of material got out there that some people questioned whether it was appropriate to have declassified that much material. Now they're sort of going in the opposite direction. So these are issues that I don't think have absolutely clear answers. The university again finds itself in the middle of an issue for which it has no real experience or expertise, where we're a higher education organization trying to do something as a public service and getting dragged into some areas that are relatively foreign to us and somewhat uncomfortable. But, it's our responsibility and so we've staffed up, brought people in with security experience, brought people in with project management experience. The current vice president for lab management is a former admiral with lots of experience in dealing with these kinds of issues, so—

19-01:07:23  
Lage:

But does he also have the experience with the intellectual side of it, the scientific research and the culture of that?

19-01:07:29  
Kennedy:

Well, he is not a scientist, a working scientist, but I think has enough experience, and clearly with the help of the provost and the associate provost for research who are all involved, obviously, in all of this, I think he should be able to carry out his responsibilities effectively.

19-01:07:56  
Lage:

How was Bill Richardson in all this? His name is in the news now as a potential vice presidential candidate. He was—

19-01:08:04  
Kennedy: When he was secretary of energy, when indicated, he was critical of the university. I can remember—

19-01:08:12  
Lage: And also was really after Wen Ho Lee, apparently.

19-01:08:14  
Kennedy: Well, I think yes.

19-01:08:16  
Lage: Is that a fair characterization?

19-01:08:17  
Kennedy: I think it's a fair characterization. I can remember going back and meeting with the secretary of energy on several occasions, with the president, with lab directors, with others, and him really taking us to task over some of these issues.

19-01:08:34  
Lage: Fairly, did you think, or was he—

19-01:08:36  
Kennedy: Well, I mean, I think in some cases fairly, and I think maybe in some cases a little bit to the extreme. But my impression is, and I think it's borne out by actions in terms of his advocating extending the university's contract, that he has in the main supported the university's management of the laboratories. And I think he and President Atkinson had a mutual respect for each other during some of those difficult times.

19-01:09:21  
Lage: So Dick Atkinson had to get more involved during this period, it sounds like.

19-01:09:25  
Kennedy: Well, when you have major issues, people want to talk to the president. They don't want to talk to just the vice presidents. Dick and I and the provost went back lots of times to Washington to participate in discussions. But I think again, I think Richardson in my judgment was supportive of the university continuing to manage the labs, but critical that we were not as on top of some issues as he felt we should be. So it was up to us to demonstrate that we could get on top of those issues, and again, we put additional things in place to try and deal with those issues.

19-01:10:19  
Lage: Why was the lab contract extended? Let's see, at about in 2000. Is that a normal—

19-01:10:30  
Kennedy: No, it's not a normal—

19-01:10:31  
Lage: It's a five-year contract.

19-01:10:31  
Kennedy: It's a five-year contract that would have expired September 30 of '02. It was getting around the time at the tail end of the Clinton administration when the DOE was going to have to make this decision that they make every five years, whether to extend and

negotiate with the University of California or compete the contract. So the timing was such that that decision was either going to be made right before the new president took over or right after the new president took over. Having a new administration come in, and it was going to be a new administration, whether it was Gore or Bush, because Clinton had served eight years, and it made sense to not have that decision made at the changeover in administrations, I think was the rationale.

19-01:11:41

Lage: Was it a rationale that the university put forth, or the DOE?

19-01:11:46

Kennedy: Well, I think it was a rationale that became apparent to both sides, and one that made sense. And also, you have to remember, there was the introduction in all of this of legislation that required the Department of Energy to develop a new agency called the National Nuclear Security Agency, which is a sub-cabinet agency. This came out of the Wen Ho Lee and the issue of security and the like—

19-01:12:21

Lage: An entire agency?

19-01:12:20

Kennedy: Well, it's a sub-agency. And that office was being created during all of this, and a new person brought in, General John Gordon, who was the former deputy director of the CIA, was brought in to head the NNSA. He began to put together a group of people to take responsibility for managing the weapons labs and certain other things that were nuclear—

19-01:12:50

Lage: So they would be directly—

19-01:12:53

Kennedy: And this was mandated by Congress, and one that Senator Domenici was very much involved in and very much in favor of.

19-01:13:03

Lage: I'm going to stop you there—

19-01:13:05

Kennedy: Just all these things were kind of swirling around at a time when there was going to be a change in administration, and it made sense from the university's point of view to have this extension, which would give us five years to operate the contract before that decision had to be made again. It obviously had made some sense to Bill Richardson as the secretary of energy, and it must have made sense to other people in the Clinton administration. I think, I recall there were some people in Congress who were not very impressed with that decision, but it went forward anyway.

[minidisc 20]

20-00:00:03

Lage: Okay, we're back on. Was there a negotiation leading to the terms of the extension of the contract?

20-00:00:09

Kennedy:

There was a negotiation, and this one was done a lot quicker than the previous one. If I backtrack—it was taken to the board in September of 2000, which was right after I retired, and I did not participate in presenting it to the board. That was first regents' meeting after retirement, and I didn't attend it. Or actually stepping down—I hadn't quite retired. I was in a transition with my successor, but Bob Van Ness, I believe, made the presentation to the board. So if I back off from there, the decision to extend was made some time right before the change of administration—or not before the change in administration but the summer before, I guess, or maybe the fall before. Because the change in administration would have taken place in January of '01. But the idea was an extension to September 30, '05. I don't remember a lot of real difficult items of negotiation in that contract. It was somewhat of an extension of the existing one.

20-00:01:36

Lage:

You didn't have to beef up security as part of the contract?

20-00:01:39

Kennedy:

Well, I think there were some changes in some of the performance measures and provisions and the like, but it was done in a matter of a few months, as compared to fifteen months earlier. And again, the idea was to get it done before there was a change of administration.

20-00:01:55

Lage:

Yes. And then I just saw a news article, it was signed on the last day of the Clinton administration, and then people in Congress started acting as if it was a last-minute thing, when really it had been agreed to long before.

20-00:02:09

Kennedy:

Well, but I mean, just political brouhaha.

20-00:02:14

Lage:

Did all of this make you feel that maybe it wasn't a university role, to manage those labs?

20-00:02:22

Kennedy:

Well, as I've said several times in the interviews, I can argue both sides of the issue. I think that the university has done a great public service by bringing its quality of science and engineering to the equation. If you look at this over the long haul, over a period of sixty-plus years at Los Alamos, fifty-plus years at Livermore, and forever at Berkeley, I think one would have to give the university relatively high marks for doing a good job, an excellent job, of managing those enterprises. It's not been without problems, and it's certainly not been without controversy, but I think the university—they're great laboratories. They've done wonderful things for the nation. So if you look at the throughput, if you look at the outcome, I think you'd have to give the university high marks.

On the side of the university not doing it, one is it does expose the university to potential liability, political and otherwise. It does require a certain amount of attention on the part of the university senior administration and on the part of the Board of Regents, and the university has many important things on its plate. If you're worrying about National Ignition Facilities or Wen Ho Lees or safety or business practices at Los

Alamos, the recent issue, you're spending less of your time worrying about what's going on internal to the university.

20-00:04:24

Lage:

Now, you said last time that you raised that, was it in '95 or something as the contract renegotiation was coming up, and Atkinson didn't even want to hear it. How did he feel later?

20-00:04:36

Kennedy:

Well, I think Dick still believes, and you'd have to obviously ask him, but based on my recent discussions with him, I still think he believes that it's in the nation's best interest to have the University of California running all three laboratories. I think the regents believe that; at least I've not heard the regents disagree with that. Again, depending on what the conditions are, and there is going to be a competition, if the request for proposals come out and the conditions are such that the university has a lot more liability than it currently has, or there are other things in there that the university can't live with, then the university may have to make a decision that it's not going to compete. That's pending, because we don't know yet.

20-00:05:32

Lage:

So the decision really hasn't been made yet.

20-00:05:34

Kennedy:

Well, the DOE is going to compete. In fact, Congress has mandated that they compete. The DOE has indicated that they're going to have separate RFPs for the two weapons laboratories. So that die seems to be cast. The precise terms and conditions are not known, because they haven't published them yet, and when they do, the university will have to review those carefully and decide whether it makes sense to continue to be the contractor. And again, if the conditions are such that the university can't or doesn't feel like it should be in the competition, I don't believe the university has anything to apologize for. I think the university has done great service for a very long period of time and should be very proud of what it's done and should hold its head very high with reference to the laboratories.

What impact that will have on the labs I think is speculation. People speculate that it will be more difficult to recruit and retain top scientific and engineering talent at the laboratories.

20-00:06:52

Lage:

Because of things like lie detector tests, or because of the rules on foreign nationals?

20-00:06:54

Kennedy:

Well, I think people like being University of California employees.

20-00:07:03

Lage:

Oh, I see, if it changes.

20-00:07:05

Kennedy:

If it changes. I really do believe that that's an attraction, to be a UC employee. Most of the people at the labs are UC employees, and—

- 20-00:07:15  
Lage: What's the attraction?
- 20-00:07:16  
Kennedy: Well, the University of California is a great institution. To be affiliated with it is viewed as a very—as a plus by most people. We have a great retirement system. [laughter] People view that as a plus. We have good benefits; people view that as a plus. And I think—
- 20-00:07:36  
Lage: What about the issue of free tuition for lab employees? That was brought up—
- 20-00:07:38  
Kennedy: Well, it's not free tuition, it's in-state tuition for people in New Mexico who are lab employees for—
- 20-00:07:44  
Lage: Is that a benefit that's taken—
- 20-00:07:46  
Kennedy: Of course. If I'm an engineer at Los Alamos and my son or daughter wants to go to UC San Diego, and instead of having to pay out-of-state tuition, which is now \$10,000 or more, \$12,000? I don't remember. And I can pay in-state tuition, or fees, which are just \$5,000? I'm going to save \$10,000 or \$11,000 or \$12,000 and have my kid go to a great university. That's a big benefit. Big benefit. So as I've talked to people at the labs over the years, I think—I've never heard anyone say they don't like being a University of California employee. Not that they've always agreed with everything the university does, but I think most people recognize it as a significant plus. And what impact that would have if it's some defense contractor or another university or a not-for-profit again is speculation, but it's interesting to ponder it.
- 20-00:08:51  
Lage: Yes. Did you sense—the issue of race was raised a lot, and you've talked about foreign nationals, but do you think particularly Asian employees felt threatened? Or ill at ease?
- 20-00:09:03  
Kennedy: Well, I only know what I read in the newspapers. I never heard directly from anyone that they felt threatened. I can imagine, given the circumstances, that people might feel that way, but I didn't personally experience any input—
- 20-00:09:21  
Lage: It wasn't something discussed in management—
- 20-00:09:24  
Kennedy: Well, I mean, we talked about every aspect of what was going on at the laboratory, from lie detector tests to impact on morale, and clearly all of this did have a big impact on morale, because they were kind of under siege as a result. And not just Los Alamos but Livermore too, because the same rules were applied to Livermore as Los Alamos in terms of lie detectors, beefing up security, and safeguards and the like. So in a sense, it was a whole new paradigm in terms of this safeguards and securities.

- 20-00:09:58  
Lage: Not as much like working on a campus as they might have—
- 20-00:10:01  
Kennedy: A little different than working on a campus.
- 20-00:10:04  
Lage: Now, you were there after, you left in 2000, your job—
- 20-00:10:10  
Kennedy: I stepped down August 31 of 2000. I actually physically stayed in the president's office until mid-January of '01.
- 20-00:10:20  
Lage: But then didn't you have the role of senior associate?
- 20-00:10:23  
Kennedy: I was appointed senior associate to the president when I stepped down, and I stayed on the payroll until actually April 1. I worked until mid-January, then I used up my vacation, or most of my vacation, and then actually officially retired April 1 of '01, and physically moved from the Bay Area the middle of January '01 back to San Diego. And had the appointment for a year as senior associate to the president, and I was doing a number of things—well, I finished, the tail end finished up with the negotiations, but didn't, as I mentioned earlier, present to the regents. And then later on, John Browne, who was then the director at Los Alamos, asked me if I would serve on a committee at Los Alamos, an external group that was being put together. I agreed to do that, and I was doing some other non-lab-related things for the university—
- 20-00:11:31  
Lage: So you sort of have followed it, and been involved.
- 20-00:11:35  
Kennedy: And I continue to serve on a senior advisory group at Los Alamos and on a facilities and infrastructure committee at Livermore laboratory.
- 20-00:11:43  
Lage: But you're not in a position of advising about whether we should compete, or matters like that.
- 20-00:11:48  
Kennedy: No. I occasionally get a phone call, occasionally give my opinion, but I'm not involved in the actual decision-making process.
- 20-00:11:59  
Lage: Well, I remember I think our very first meeting, you got a phone call about some appointment to one of the labs.
- 20-00:12:08  
Kennedy: Yes, from President Dynes. That had to do with the appointment of Admiral Foley as the vice president for lab management, which I was advocating.
- 20-00:12:19  
Lage: I see, and he got appointed.

- 20-00:12:20  
Kennedy: And he got appointed.
- 20-00:12:23  
Lage: Well, do you want to say more on what's—have we finished the discussion, or is there more to say about what's happened there and where it's going?
- 20-00:12:32  
Kennedy: Well, the only final things one could say is that the next six months or less will be very interesting, because the DOE at some point will make a decision about a request for proposal for one or both of the weapons labs, and perhaps the Berkeley lab. It will be interesting to see what those conditions are, how the university responds. I know the university has been working very hard to demonstrate that it's doing a good job of providing management oversight. The recent challenge has to do with the business systems at Los Alamos and some allegations that were made, the major one being that somebody bought a car using a Los Alamos credit card, which turned out not to be true, and even though it was in the newspapers—
- 20-00:13:42  
Lage: Was it ever corrected in the newspapers?
- 20-00:13:44  
Kennedy: Oh, probably on page thirty-seven in a little article, but no, it never happened as far as I can determine from talking to people at Los Alamos and talking to the internal auditors. But I think it did bring to the surface that there were some improvements that were needed in the business systems at Los Alamos, and those things are being implemented by the university and by the laboratory. I think it's coming along reasonably well, from what I've seen of it. Again, this is all part of this evolutionary process that I refer to. Again, the university has gotten itself much more involved in the day-to-day operation of the laboratory than ever before. I mean, they've sent people down there to be in acting capacities and spending a lot of time working through various processes, which are all indicated. I mean, they're things that needed to be done.
- 20-00:14:50  
Lage: But they do make the management more expensive.
- 20-00:14:52  
Kennedy: They do make it more—
- 20-00:14:52  
Lage: As well as diverting attention from—
- 20-00:14:55  
Kennedy: Right, they do make it more expensive, and it did take people away from their university responsibilities. So it's all part of the equation.
- 20-00:15:03  
Lage: Do you see this drive towards making the labs compete driven by Congress, or by the Bush administration?

- 20-00:15:13  
Kennedy: Actually, it's been mandated by Congress, so I think that—I think that the instincts of the current administration, the secretary of energy is probably to compete, and even Senator Domenici, who I think in the main has been supportive of the University of California, some months ago in a speech at Los Alamos, and I happened to be there at the time, I think it was for the sixtieth anniversary, himself advocated competition. He is chairman of a key committee that has a lot to do with the laboratories, so—. So I think it's both the administration and the Congress.
- 20-00:16:09  
Lage: I wonder if there will be more internal questioning among faculty. Will that rise again?
- 20-00:16:15  
Kennedy: Well, it does every five years.
- 20-00:16:17  
Lage: But sometimes more strongly than others.
- 20-00:16:19  
Kennedy: Clearly. In '97, there was virtually no opposition. Even the Berkeley faculty approved of the university continuing to manage. I think the only faculty group that was against it were the Santa Barbara faculty members, in a relatively close vote of their senate. I don't know where the faculty will be this time. It's hard to say. My only observation would be that over the last decade, there's been a lot more faculty involvement at the laboratories, and availability of funds to do joint research, and I think that probably had some impact in swaying the faculty. I think the fact that there's no more nuclear testing probably is another factor. And that basically they're not building new weapons is probably another factor. The end of the Cold War may have been another factor. And the faculty change over time. Some of the people who were very much against the university running the labs back in the sixties and seventies and eighties are no longer around, so those voices aren't being heard any more.
- 20-00:17:50  
Lage: But if they feel that there's not as much scientific integrity or freedom of operation, it might—
- 20-00:17:58  
Kennedy: Yes, that may be an issue, and I assume the senate or the Academic Council, their research committee is discussing this as we speak.
- 20-00:18:09  
Lage: [laughs] Right. Well, is there more we should say about the labs? Have we missed any important points?
- 20-00:18:15  
Kennedy: You know, I think we've covered it pretty thoroughly, quite frankly.
- 20-00:18:18  
Lage: One thing I can quote that was kind of amusing—I don't think you'd find this amusing—somebody said that the labs were run with industry ethics and academic efficiency. [laughs]

20-00:18:33

Kennedy: I'm not even sure I know what it means. [laughs]

20-00:18:35

Lage: Well, they were kind of questioning both the ethics and the efficiency.

20-00:18:39

Kennedy: Yes, I understand that. Well, I mean, they are laboratories, and they are research laboratories, to an extent. I don't think research is done—at least basic research is not done with a goal of being terribly efficient. It's done for intellectual reasons and for the development of new knowledge, and then to take that knowledge and hopefully to use it to better mankind, whatever the goal in short is. I mean, I think the labs in terms of their business operations and their physical plants and all of that ought to be run efficiently, just like the university should, and just like a business should. But in terms of people that are doing research, I think they need to have the freedom to pursue their research the way in which they feel is going to get the best outcome, and that's not always the most efficient way.

20-00:19:46

Lage: So you don't put efficiency first in terms of when you judge—

20-00:19:51

Kennedy: No, I don't think you can. Dr. Peltason used to say he didn't want to have the best-run mediocre academic university. He wanted the best academic university that was well run. So I think you have to put it into that context.

20-00:20:16

Lage: Okay, now, do we have other issues to talk about? I have down that you worked on developing a UCSC satellite campus, but is that something that you were involved in and want to bring up?

20-00:20:32

Kennedy: I don't think that's worth—

20-00:20:35

Lage: We'll just let it hang there. [laughter] Did it happen?

20-00:20:39

Kennedy: A UCSC satellite campus? Yes, I did—there was land available at Moffitt Field, and as you know, Santa Cruz is in an area that's very difficult to get to, somewhat isolated. They have wanted, and actually have a presence in Silicon Valley, wanted a bigger presence. So I did work with the campus and with Chancellor Greenwood in the beginnings of discussions with NASA about the university having a presence down there and having land available, and perhaps having a satellite campus down there. The university has successfully negotiated an agreement with NASA, the university—I'm trying to remember the term—but it's a university research agreement with NASA that I think perhaps will be the forerunner of more and more involvement by UCSC. I've not been involved over the last year, eight or nine months or a year, so I've kind of lost track of it. Their vice chancellor for research, who is relatively new to the campus, and very experienced in dealing with the federal government, has come in and picked up on that, and I've been busy with other things. So I haven't been quite involved recently.

But I think it's interesting, and I think it would be good for the campus to have a facility down there, where they could provide educational opportunities for people who work in the Silicon Valley, as also for students who live in that area.

20-00:22:27

Lage: I bet Stanford would rather they didn't go there.

20-00:22:29

Kennedy: Well, probably. [laughter]

20-00:22:32

Lage: Okay, well, anything else you want to say about your long and distinguished career with the university?

20-00:22:37

Kennedy: The only final remarks I would have is that, from my vantage point, I don't think I could have had a better capstone to my career than being senior vice president in the University of California. I don't think I would trade my thirty years in UC for anything, and I have absolutely no regrets about any job I've ever had in the University of California. I'm glad I became vice president, even though there were a few days there when I wondered whether I had—

20-00:23:10

Lage: Sounds like more than a few days. [laughs]

20-00:23:10

Kennedy: —made the right decision, particularly early on. When I went up there even earlier than I was supposed to, by about a month, and was sort of commuting back and forth, and I'd come home to San Diego and say, "My goodness, what have I done to myself?" But I'm glad for it, and I hope I've made a contribution.

20-00:23:33

Lage: And you liked working in the president's office.

20-00:23:35

Kennedy: I did like working in the president's office. There were many, many wonderful people in the president's office, and they worked very hard, and I think the university is better for those individuals. And that's the thing I miss the most, are the interactions. I don't miss the tension, and I don't miss some of the grief, but I do miss working day to day with a lot of really nice and competent people.

20-00:24:00

Lage: Well, that's nice to be able to say.

You had mentioned earlier too that the lab was—working on the national labs was your most interesting part of it—

20-00:24:10

Kennedy: Well, one, it was something that I had never experienced before, and so it was a great challenge. I admire the laboratories very much for what they have accomplished in their history, and I admire the people that work there very much. Being part of particularly the weapons labs and their role in the nation's security and stockpile stewardship, and

having that interaction with the Department of Energy at a level that I had not experienced before, it was fascinating. Working with the various lab directors, three secretaries of energy that I had the opportunity to interact individually with each one of them, sometimes not pleasant interactions but nonetheless interactions—

20-00:25:09

Lage:

Which was most agreeable to work with?

20-00:25:13

Kennedy:

Oh, I think they were all in the main agreeable. I found Bill Richardson to be a very engaging individual. In fact, I had an opportunity to chat with him a few months ago, in October. I'm on the board of the Los Alamos National Lab Foundation, and they have an annual conference and meeting in October. The governor, Richardson, invited the foundation board and others to the governor's mansion for a reception, and he was actually there and we chatted for a few minutes. He's just a very engaging individual. We had a few chuckles about his stint as secretary of energy and my stint as the senior vice president of the university, and some of the interactions that we had. So it was fun. And I admire him.

20-00:26:08

Lage:

Okay, I think we've finished up our project here.

20-00:26:12

Kennedy:

Well, I appreciate your time and effort, and look forward to the transcript.

20-00:26:18

Lage:

Yes, I look forward to it also.

[end of interview]

## ANN LAGE

Ann Lage is a principal interviewer for the Regional Oral History Office, UC Berkeley, in the fields of natural resources and the environment, University of California history, state government, and social movements. She has directed major projects on the Sierra Club since 1978 and on the disability rights movement since 1995. Since 1996 she has directed a project on the Department of History at UC Berkeley. She is a member of the editorial board of the *Chronicle of the University of California*, a journal of university history, and chairs the Sierra Club library and history committee. Ann holds a B.A. and M.A. in history from Berkeley.

