

## California Contact

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### Interview: Susan Kennedy

California Gov. Arnold Schwarzenegger ruffled more than a few GOP feathers last fall when he hired long-time Democratic Party operative and former CPUC Commissioner Susan Kennedy as his new chief of staff. But Kennedy has both helped stabilize the governor's standing with angry voters after his disastrous special election debacle and been a major player in his burgeoning efforts to convince those same voters to approve billions of dollars in bond measures to upgrade the state's aging infrastructure. We joined her in "The Horseshoe" recently to talk about broadband deployment, infrastructure improvements, flood issues and what her boss has learned on the job.

**CC:** When you were at the PUC, you called for the state to make improved broadband deployment and access a priority. In your view, have we made any headway in achieving that goal?

**Kennedy:** I think we're beginning to make some real progress. First of all, broadband deployment is now talked about in the context of other policy issues. It's definitely a priority for the state and we recognize the value of it, which filters into policy making decisions. There are also two very important elements for broadband deployment in the infrastructure investment that the governor announced in January. One is the governor's proposal that the state invest hundreds of millions of dollars in deploying broadband from University of California medical facilities out to community clinics so we can reach areas where it's not very economical for private companies to build broadband. Also, now we're going to be spending billions and billions of dollars on infrastructure investments - highways, bridges and roads - building in the conduits that allow for deployment of fiber and other broadband infrastructures in advance, instead of having to go in and retrofit.

**CC:** What else could or should the state do to encourage innovation and greater investment in our technology?

**Kennedy:** The single most important thing that the state government can do is get out of the way of investment. I think the PUC is making strides toward eliminating some of the ancient, anachronistic regulations that constrain investments, particularly in new technology. Also I think some of the legislative issues regarding video franchising are very important. If we can resolve that issue I think you'll see billions of dollars in investment, with telcos going head to head with cable on providing cable and other services. I think those are two of the most important issues that we need to address in California.

**CC:** CalTrans and telcos are battling in court over CalTrans wanting to charge right-of-way fees to carriers as a way to raise highway funds. You've been on both sides of this issue in the past, so can you tell me where you stand on that particular issue now and why?

**Kennedy:** I'm the unfortunate parent of the original problem because during the Davis-era budget crisis, when state agencies were looking for new ways to raise money, the thought was that we have this great asset [right of way] and we should make some money off of it. Having no broadband policy in the state to counteract that thinking, we thought it was a great idea. But when I got to the PUC, I realized that we were actually throwing up our own barriers to deployment, so I completely reversed my opinion. I think it's also incredibly important that local governments can't charge above costs for deployment for issuing right of way, and yet that's what the state is doing. So we're not in a very good position to admonish locals for holding up broadband deployment by using right of way as fundraising tool when we're doing the exact same thing. Unfortunately we are now enveloped in a lawsuit over it, so extricating ourselves from a bad policy is not as easy as waving a magic wand. But we are very aggressively looking at how we can develop a more appropriate broadband policy and address that issue.

**CC:** The governor has made infrastructure his top priority this year. But many people would say the more pressing issue is the state's structural budget deficit. If reelected in November, how will he seek to permanently close that gap?

**Kennedy:** Well, I think he's already done something that no one thought he could do - he closed the gap from \$17 billion down to less than \$5 billion, and he did it while issuing a tax cut [the car registration tax]. The question now becomes, how can you solve some of the big problems - like health care - in this state without going back into deficit spending? We've got to think differently. We've been trying to solve the health care problem with the same old paradigms, but if you look at what Massachusetts did, they changed the debate. Those are the kinds of things we've got to look at in California, how to solve these problems without going back into the deficit spending that got us into such trouble. You can't simply tax your way into oblivion and expect to solve all these problems and maintain a healthy economy.

**CC:** The governor has been very vocal in trying to get more federal funding for levy improvement and infrastructure improvement. But he has also received criticism here in California for supporting development in flood plane areas while not supporting mandatory flood control insurance for homeowners. Why does he oppose this?

**Kennedy:** The governor was very engaged in the debate over whether or not more could be done to require flood insurance. The problem is federal law. If you have federally-backed mortgage, you're already required to have flood insurance, so you're really dealing a very small percentage of the population that has already paid off their house. How do you enforce that if they've already paid off their house? Then you have to make sure the product is out there to buy. And if you're going to do it for flood insurance, are you then going to mandate earthquake insurance for everyone who lives near an earthquake zone? It's not a simple answer.

**CC:** But at the same time, you mentioned Massachusetts, which is now mandating health insurance for everyone.

**Kennedy:** Yes, but right now we don't even have adequate maps on where the flood zones are. So, the first thing we're trying to accomplish is getting the maps done so we have an adequate view of where the flood zones are. But some of the bills that were

introduced in the legislature would ban any further construction unless you have 200-year flood protection. That would ban building in almost the entire because very few areas have 200 year flood plans. So are you going to stop home construction in California? And if you're going to ban construction, where do you get the tax base to do the necessary flood protection? You have to use tax dollars to secure the levies and build the flood protection in the very areas you're trying to protect. It's not a simple problem that has a magic wand.

**CC:** You've been around government for many years, clearly the governor hasn't. How he is a different governor today than when he came into office.

**Kennedy:** He's learned that there are some things that you can do by being bold and there are some areas you can achieve more by being incremental and taking it one piece at a time. He's much more seasoned and capable of actually getting things done over the long haul. I think he has much more patience than he did in 2003.