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California Links

State Senate

State Assembly

**Department of
Insurance**

Secretary of State

Legislature to Try Again on Drug Pricing Measure

This week, Senator Ed Hernandez announced that he would be introducing yet another measure that would require pharmaceutical companies to inform both state health programs and private insurers before they increase the prices on their products. Hernandez, who is the chair of the Senate Committee on Health, attempted a similar bill last year that he ultimately dropped because of amendments that had been attached to it.

While it is not yet known what the specific details of the upcoming bill will be, it is likely to be similar to SB 1010, introduced by Senator Hernandez last year. SB 1010 would have required companies to give written notice to state health programs and insurance companies when they were going to increase the price of one of their products by more than 10 percent, as well as notification if a drug was going to cost over \$10,000 a year for one course of treatment. However amendments made to SB 1010 in the Assembly Appropriations Committee raised the threshold for reporting to a 25% increase, as well as removing the requirement that drugmakers justify their high prices. Following these amendments, Hernandez removed the bill from consideration.

Hernandez has stated that his new bill, SB 17, is “sending a message to the pharmaceutical industry that I’m serious, that I’m coming back.” While the specifics of the measure’s language are not yet known, in general it is intended to help patients manage their healthcare costs by keeping them informed of upcoming price increases. It would also require that “the public be given information about the justification, if any, for the prices of newly emerging medications and price increases for existing prescription drugs.”

Assembly Republicans Announce Leadership for Upcoming Session

This week, Assembly Republican Leader Chad Mayes announced the team of Assembly Members who would be serving as the leadership for State Assembly Republicans in the 2016-2017 legislative session. This leadership team will be serving in a legislative session dominated by a Democratic supermajority in both houses, but Assembly Member Mayes released an optimistic statement along with the appointments. “I’m proud of the leadership team we’ve assembled to lead Assembly Republicans through the upcoming legislative

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session. The breadth of experience this team brings to the table will be a great asset as we advance Republican proposals to help improve the lives of Californians.”

The appointments are as follows:

Assistant Republican Leader: Assembly Member Frank Bigelow

Assistant Republican Leader: Assembly Member Melissa Melendez

Assistant Republican Leader: Assembly Member Jim Patterson

Republican Caucus Chair: Assembly Member James Gallagher

Republican Caucus Vice Chair: Assembly Member Jay Obernolte

Republican Floor Leader: Assembly Member Marie Waldron

Deputy Republican Floor Leader: Assembly Member Bill Brough

Chief Republican Whip: Assembly Member Vince Fong

Deputy Republican Whip: Assembly Member Phillip Chen

Senator Jean Fuller Re-Elected as Republican Senate Leader

This week following the swearing in ceremony of new and returning legislators, Republicans in the State Senate voted to unanimously re-elect Senator Jean Fuller as the Senate Republican Leader. She has served in this position since August of 2015. This session marks the first since she was appointed to the position that the Democratic Party has had a supermajority in both houses, allowing them to pass all measures without any Republican support. Nevertheless Fuller expressed optimism about her upcoming term, stating that “I am honored and humbled that my Republican colleagues have elected me to continue serving as Senate Republican Leader. I am committed and focused on issues that help Californians – jobs and affordability.”

Survey Highlights Upcoming Legislative Issues

A recent survey from the California Chamber of Commerce illustrated that there are many issues that California residents believe need to be addressed by the Legislature. Some of these issues have been ongoing for several sessions now, with no easy answers or solutions in sight. These issues include big-ticket items such as transportation infrastructure, housing affordability throughout the state, and job creation at all levels of the workforce.

This was the second such survey conducted by the Cal Chamber, and gave respondents 20 issues to choose from as what they believed was not being addressed adequately by the state government. Among those choices, almost nine in ten of those taking the surveys said that they do not think that the Legislature is doing enough about road and bridge repairs, as well as 42% of respondents stating that roads and highways were in poor condition. However despite this belief in the need to do more addressing road conditions, only 20% stated that there needed to be more funding for road maintenance, with 80% saying that the funds simply needed to be managed better.

The other two issues primarily concerning voters was the need for new economic development, with eight in ten of the survey takers stating that state leaders needed be doing more, and the high cost of housing in California. Two thirds of voters who had children living at home stated that they believe their children will have a harder time purchasing a home than they did. The belief that leaders are not doing enough to address these issues is coupled with the idea that the Legislature is spending too much time and money on other issues, such as high speed rail and tax credits for environmental issues such as electric cars.

Overall, the respondents in the survey seemed concerned with the state of the economy at all levels, with a majority stating both that they believed their children would have better economic outcomes if they left California, and that the middle class lifestyle had become largely unattainable. Many also stated that they felt “almost no” jobs were being created in areas such as San Diego, the Inland Empire, and the Central Valley.

Assembly Democrats Push for \$1 Billion in New Spending

Even before the beginning of the new legislative session in January, Democrats in the Assembly have already begun an effort to approve \$1 billion in new state spending. This push comes at a time when many are worried about the state’s economic future with the election of Donald Trump, as California has already taken a hardline stance against the President-Elect’s policies in ways that could have strong consequences for the state’s budget.

The push was announced by Assembly Member Phil Ting this week, who stated that the spending should go towards items such as the expansion of the earned-income tax credit, easing the cost of college, and making all day kindergarten mandatory. Ting said that it would be “irresponsible and frankly reckless” to not pursue these goals while waiting to see what would happen under a Trump presidency, even though there have been many warnings that the state could experience serious budget shortfalls. The repeal of the Affordable Care Act alone would cost California nearly \$20 billion in federal funding, which is paired with the fact that revenues for the state are currently \$600 million less than what was expected.

This push for more spending promises to cause conflict with Governor Jerry Brown, who is well known for his fiscal conservatism and pushback against new spending measures introduced by the members of his own party. The upcoming legislative year will almost certainly bring tension between the Governor and lawmakers during the budget negotiation process, which will begin on January 10th when the Governor’s budget proposal is due.

State Farm Moves to Block Insurance Rate Reduction

Following the historic order from California Insurance Commissioner Dave Jones last month for State Farm to refund over \$100 million to 2 million customers, the insurance company has filed a lawsuit to block the decision. The Insurance Commissioner alleged that the company had overcharged its customers for homeowners and renters insurance, marking the first time since the passage of Proposition 103 in 1988 that a Commissioner has done so. Proposition 103 requires the approval of the Insurance Commissioner before a company can implement

property and casualty insurance rates, as well as requiring that each insurer “roll back” their rates by 20%.

State Farm’s suit alleges that the Insurance Commissioner does not have the authority to order a refund, and has requested that a San Diego Superior Court dismiss the decision from November that mandated it as well as future reductions in rates. The company claims that the calculations that determined the refunds were incorrect, as well as stating that “We do not believe the commissioner’s decision is lawful, and are therefore taking the necessary legal steps to challenge the rate reduction, and rate refund.”

Consumer groups have stated that State Farm’s suit is an attempt to sidestep accountability for overcharging its customers, and that if the legal challenge is successful it could undermine the authority of Prop 103. However State Farm said that its rate increases of 6.9% were justified, as it was necessary to cover the rising costs of wildfire risk as the losses from such fires rose. These increases led to challenges from advocacy groups, and a decision from an administrative law judge that State Farm had not provided adequate evidence for the increase in losses from wildfires.

Commissioner Jones signed off on this decision in November, and mandated reductions on State Farm’s policies ranging from 5.4% to 20.4% on a variety of products. By backdating these reductions to July 15, 2015, the date when the 6.9% increase was to have taken effect, the Commissioner ensured that the refunds going out to California consumers would exceed \$100 million.

Please note that This Week In Sacramento will not be publishing through the end of the year in observance of the holidays. Publishing will resume on Friday, January 6th 2017. We at Norwood & Associates wish you and your families a happy holiday season, and we will see you again next year at the beginning of a new Legislative session.