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Workers Compensation Rating Bureau Approves Amended Filing

The Workers' Compensation Insurance Rating Bureau's Governing Committee has approved an amendment to its rate filing for January 1, 2017 workers' compensation policies. The recommendation is a 4.3% reduction compared to the 2.6% reduction it filed for last month. The amendment is dependent on Governor Brown signing SB 1160 by Senator Tony Mendoza (D-Artesia) and AB 1244 by Assembly Member Adam Gray (D-Merced) into law, but in an election year, a move that would lower workers' compensation rates is all but assured.

The committee passed the recommendation on an 8-4 vote with all four public members offering a reluctant no vote and all carrier representatives voting for the proposal. The labor and employer representatives to the committee support acknowledging the industry's improved experience as reflected in the latest data, as well as the impact of the pending legislation. The public members, however, remain steadfast that their actuary's recommendation for a deeper rate cut of 8.2% is the better move. Other public members expressed the belief that the SB 1160 and AB 1244 legislation will have an even greater impact than predicted - a belief that is also held by the Department of Industrial Relations which championed the reforms.

In its final analysis, the Bureau estimated that industry's second quarter experience lowered the indicated rate from \$2.26 to \$2.23. The impact of the legislation brought it down another penny to \$2.22. The current approved advisory pure premium rate average out to \$2.32 per \$100 of payroll.

Under the motion approved by the Governing Committee, the Bureau will make the amended filing after Governor Brown signs the legislation, and if the bills are not signed, then the filing will not be amended. The Governor has until the end of the month to take action on the bills. The California Department of Insurance plans to hold its rate hearing the second week of October.

Climate Change Bill Signed by Governor Brown

Secretary of State

Official Legislative Information [Trailer](#) [Budget Item](#)

Governor Jerry Brown signed two bills meant to slow climate, extending the toughest greenhouse gas emissions reduction goals in the country and to invest in poor communities hardest hit by climate change.

The bills signed were SB 32 by outgoing state Senator Fran Pavley (D-Agoura Hills) and AB 197 by Assembly Member Eduardo Garcia (D-Coachella). Brown was joined by key legislators who led the bill's approval, including Senate President Pro Tempore Kevin De León, Assembly Speaker Anthony Rendon, Pavley, Garcia, Sen. Ricardo Lara and Assemblymen Reggie Jones-Sawyer, Jimmy Gomez, Richard Bloom and Matt Dababneh.

SB 32 comes a decade after California's landmark Assembly Bill 32, which required the California Air Resources Board to reduce statewide emissions of greenhouse gases to 1990 levels by 2020. The legislation that Governor Brown signed Wednesday expands on that mandate, requiring California to reduce greenhouse gas emissions to 40 percent below 1990 levels by 2030. In adopting a more aggressive standard, the state is empowering the air board to enact further regulations to reduce emissions, while not prescribing what those regulations must entail.

Assembly Bill 197 gives lawmakers more authority over the California Air Resources Board. One long-standing criticism of California's climate policies has focused on the power wielded by the board, and AB 197 helped Brown and legislative leaders gain support from business-friendly Democrats in the Assembly.

The bill creates six-year term limits for the Air Resources Board members, adds two nonvoting lawmakers to the board and creates a new legislative oversight committee. AB 197 also targets climate change programs to "disadvantaged communities" and requires the Air Resource Board to consider the social costs of greenhouse gas emissions.

Reducing emissions by 40 percent is a tall order with very few details expressed in the bill on how the Air Resources Board will produce these results. An outline can be drawn though from existing regulations, as well as goals expressed by the Brown administration.

The transportation sector is the single largest source of greenhouse gas emissions in the state as it accounts for more than one-third of total emissions. Governor Brown wants to reduce petroleum use in cars and trucks by as much as 50 percent, and regulators could further tighten the state's low carbon fuel standard, which requires producers of gasoline and other transportation fuels to reduce the carbon intensity of their products.

The Governor also wants to put 1.5 million zero-emission vehicles on California roadways by 2025, and he adopted a goal last year of making all new passenger vehicles sold in California zero-emission by 2050. That will almost certainly rely on technological advances to overcome consumer fears about the cost and range of zero-emission vehicles. The California Plug-In Electric Vehicle Collaborative estimates only 231,482 plug-in cars have been sold in the state since 2011, while greenhouse gas emissions from the transportation sector ticked up slightly in 2014.

The state last year enacted a goal of increasing to one-half from one-third the proportion of electricity the state derives from renewable sources. The Brown administration wants to

double the energy efficiency of buildings and make heating fuels cleaner, while also better managing forests and farmland.

The state is planning to spend hundreds of millions of dollars on a range of emission-reduction programs, from clean vehicle rebates and high-speed rail to efforts to reduce methane from dairies in order to reach the new goals.

California Ballot Measures Part One

With a voter guide that is over 200 pages long including 17 ballot measures, we thought it would be a good idea to go through the measures in separate parts. This is the first of a four part series on the ballot measures that Californians will be voting on in November.

[Proposition 56: Increase the Cigarette Tax to \\$2.00 per Pack](#)

This proposition increases cigarette tax by \$2.00 per pack, with equivalent increase on other tobacco products and electronic cigarettes containing nicotine. The proposition allocates these revenues primarily to increase funding for existing healthcare programs; also for tobacco use prevention/control programs, tobacco-related disease research and law enforcement, University of California physician training, dental disease prevention programs, and administration.

The additional net state revenue would reach between \$1 billion to \$1.4 billion in the 2017-2018 fiscal year, but with potentially lower revenues in future years if the tax causes decreased tobacco consumption.

Supporters state that this proposition will reduce tobacco-related healthcare costs and would pay for the remaining tobacco-related healthcare costs. They also state that this proposition will prevent youth smoking and address tobacco marketing towards youth. The proposition also includes transparency and accountability safeguards for the use of the tax generated.

Opponents of the proposition state that it would fund insurance companies and special interests more than it would fund the treatments for smoking related illnesses and prevent youth smoking. They state that the proposition would not allocate funds for improving schools, and that the tax revenue generated would be wasted on overhead and bureaucracy when there are other issues that it could address.

[Proposition 64: Legalization of Marijuana and Hemp](#)

This proposition is one of the biggest fights within the ballot this year. In 1996, California became the first state in the nation to legalize medical marijuana when voters approved Proposition 215, and in 2010, voters were given the chance to vote on the legalization of recreational marijuana with the appearance of Proposition 19 which was defeated.

Proposition 64 was designed to legalize recreational marijuana and hemp under state law and establish a 15 percent sales tax as well as a cultivation tax of \$9.25 per ounce for flowers and \$2.75 per ounce for leaves, with exceptions for qualifying medical marijuana sales and

cultivation. The initiative was also designed to prevent licenses for large-scale marijuana businesses for five years in order to prevent "unlawful monopoly power." Other provisions relate to rights of employers, driving under the influence, and marijuana business locations.

The fiscal impacts from this proposed tax lands from the high hundreds of millions of dollars to over \$1 billion annually depending on price and consumption changes. There would also be a reduction in criminal justice costs in the tens of millions of dollars annually due to the decriminalization of recreational marijuana.

Supporters argue that this proposition has specific safeguards that would protect children while allowing responsible use of adult marijuana. This proposition incorporates best practices from other states that have already legalized marijuana use and would adhere to recommendations provided by California's Blue Ribbon Commission on Marijuana Policy. Supporters also point to the generation of tax revenue and decrease in law enforcement costs, providing funding for things like afterschool programs, drug prevention education and drug/alcohol addiction treatment, law enforcement training and research on impaired driving, and other programs. Supporters state that this proposition would provide an environment where marijuana is safe, controlled, and taxed.

Opponents of the proposition state that it would result in more highway fatalities and more impaired driving, would increase black market and drug cartel activity, and would allow marijuana growing near schools and parks, and would erode local control. Opponents also state that the proposition would allow marijuana smoking advertisements to be aired and would end up hurting underprivileged neighborhoods.

[Proposition 65: Grocery and Retail Carry-Out Bags](#)

This is one of two propositions regarding plastic bags on the ballot this year, the other is below. Proposition 65 was designed to require all revenue generated by state-mandated sale of carryout bags to be earmarked for special fund for specific categories of environmental projects. The fund would be managed by the Wildlife Conservation Board.

The fiscal impact notes that potential state revenue of several tens of millions of dollars annually under certain circumstances, with the monies used to support certain environmental programs.

Supporters state that the proposition would stop the deal made between legislators and lobbyists that allowed grocery stores to keep plastic bag fee revenue as extra profits. Instead, the proposition would dedicate plastic bag fee revenue to environmental projects like drought relief and litter removal, and would make the California Wildlife Conservation Board responsible for allocating the revenue generated from plastic bag fees.

Opponents of the proposition state that the proposition would only serve the interests of plastic bag companies and would distract from phasing out plastic bags entirely. The opponents also state that the proposition would do little to help the environment, as plastic bags need to be eliminated completely in order to have an effective impact.

[Proposition 67: Prohibition on Plastic Single Use Carryout Bags](#)

This proposition would prohibit large grocery stores and pharmacies from providing plastic single-use carryout bags and ban small grocery stores, convenience stores and liquor stores from doing so the following year. It would allow single-use plastic bags for meat, bread, produce, bulk food and perishable items.

In 2007, San Francisco became the first jurisdiction in California to ban single-use plastic bags. As of September 2016, 122 ordinances banning single-use plastic bags have been approved in the state, covering 151 county or local jurisdictions. Los Angeles, the largest city in California and second largest in the United States, banned single-use plastic bags and placed a 10 cent charge on paper bags.

There were initiative attempts to overturn local single-use plastic bag bans in Walnut Creek, Huntington Creek and Campbell, California. All were unsuccessful in their signature drives. In January 2015, however, Huntington Beach's city council voted to repeal the city's bag ban. Councilman Mike Posey, who proposed the repeal, stating that repealing the ban was about "personal freedom and personal responsibility."

Proposition 67 also mandates stores to charge 10 cents for recycled, compostable and reusable grocery bags. The proposition would provide \$2 million to state plastic bag manufacturers for the purpose of helping them retain jobs and transition to making thicker, multi-use, recycled plastic bags.

There would be relatively small fiscal effects on state and local governments. This includes minor increase of less than a million dollars annually for state administrative costs, offset by fees along with possible minor savings to local governments from reduced litter and waste management costs.

Supporters of the proposition state that it would help the environment by reducing litter, protecting oceans and wildlife, and reducing clean-up costs. The supporters argue that the proposition would continue California's success in phasing out plastic bags because recycling plastic bags isn't enough in California as less than 5 percent get recycled. They state that this proposition is necessary to will help keep discarded plastic bags out of our mountains, valleys, beaches and communities, and keep them beautiful.

Opponents state that the proposition would cost consumers more money, as they would be required to pay 10 cents per bag for paper or thicker plastic reusable bags at checkout. They also state that the proposition would not allocate revenue generated from reusable bag fees for helping the environment, the revenue would go to grocers as extra profit.

Jon Berrier, a spokesperson for the American Progressive Bag Alliance, summarized the organization's arguments against the bag ban, saying, "The [plastic bag] industry obviously is opposed to this particular piece of legislation because it seeks to ban a 100 percent recyclable product and also put fees on consumers for other bag alternatives. It's all orchestrated as a cash grab by members of the California Grocers Association to scam California consumers out of billions of dollars in bag fees, none of which goes to a public purpose."

Legislative Update

Governor Edmund G. Brown Jr. has signed the following bills:

[AB 1564 \(Williams\)](#): This bill requires the Office of Emergency Services, working with the California Highway Patrol, and county coordinators to review and ensure the most efficient routing of mobile calls to the 911 system.

[AB 1658 \(Bigelow\)](#): This bill allows the Happy Homestead Cemetery District to inter nonresidents from specified communities in Nevada. Specifically, this bill allows the District to inter nonresidents of the District who are residents of the Nevada communities of Glenbrook, Cave Rock, Skyland, Zephyr Cove, Round Hill, Elk Point, Kingsbury, and Stateline, if certain conditions apply.

[AB 1701 \(Gonzalez\)](#): This bill, an urgency measure, appropriates approximately \$450,000 from specified funds to the California Victim Compensation and Government Claims Board for the payment of 210 state claims.

[AB 1793 \(Holden\)](#): This bill requires a court to find that a contractor is in substantial compliance with licensure requirements if prescribed evidentiary standards are met. Specifically, this bill permits a court to determine at an evidentiary hearing that a contractor has substantially complied with licensure requirements. The bill also requires a contractor to provide evidence that he or she acted promptly and in good faith to remedy the failure to comply with licensure requirements upon learning of the failure, in addition to other specified requirements.

[AB 2068 \(Holden\)](#): This bill provides a statutory authorization for neuropsychologists to perform the services of a qualified medical examiner (QME) in the workers' compensation system.

[AB 2228 \(Cooley\)](#): This bill establishes the Code Enforcement Officers Standards Act which requires the Board of Directors of the California Association of Code Enforcement Officers to develop and maintain standards for the designation of Certified Code Enforcement Officers.

[AB 2716 \(Dodd\)](#): This bill extends, until January 1, 2022, the licensing fees for livestock and poultry meat inspectors, livestock meat processing inspectors, and livestock processing facilities, slaughterhouses, and poultry plants.

[AB 2801 \(Gallagher\)](#): This bill requires local agencies to retain written protests for a minimum of two years.