



Legislative Update

January 2006

GOVERNOR SCHWARZENEGGER'S STATE OF THE STATE ADDRESS

Gov. Arnold Schwarzenegger delivered his State of the State address in early January, a speech that may have been one of the most significant speeches of his political career to date, providing a road map for California and for his campaign for re-election in November. It was his first formal address to voters since the Republican governor was battered by a special-election defeat in November, when Californians decisively rejected four initiatives he supported.

The Governor's speech was significantly less confrontational than last year's version, laying out a far-reaching Strategic Growth Plan Thursday that calls for spending more than \$222 billion over the next 10 years, \$68 billion of which is to be financed through bonds placed on the ballot in five elections through the year 2014. Most of the bond debt would be retired with money from the state's general fund, which pays for most day-to-day programs. However, the proposal also calls for new toll roads and higher fees on companies that ship goods through the state's ports. Levee improvements would be paid for in part by assessments on landowners who benefit from increased flood protection.

In addition to fees, assessments, and bond funding, Schwarzenegger is counting on the willingness of the federal government to chip in tens of billions of dollars. His plan also would draw from gasoline taxes, school and county budgets, new tolls and fees on businesses and commuters, and partnerships with private businesses to meet the \$222-billion price tag.

The problem the governor and lawmakers face is monumental. An estimated 500,000 people move to California every year. The state must accommodate the new residents, repair damage done by past and current ones and make improvements required by federal and state law such as seismic retrofitting and new pollution controls.

In addition to levee improvements, Schwarzenegger's plan would provide money for hundreds of miles of new highways, carpool lanes, transit systems, flood control projects, port improvements, 2 new prisons, courts, levees, and construction and modernization of public schools and universities.

On the healthcare front, the Governor has indicated his primary focus is on the importation of prescription drugs. He has called on Congress to change federal law to allow Americans to import safe and more affordable prescription drugs. Last year, the Governor sponsored legislation that would have made prescription drugs more affordable for approximately 5 million uninsured Californians without breaking federal law; however, the Legislature failed to pass the measure and send it to his desk for signature. He will again look for solutions at the state level as well as soliciting Congress at the federal level to control the rising costs of prescription drugs.

Schwarzenegger has his work cut out for him in 2006. The plan could run into difficulty with Republicans who are wary of his tack back to the political center after his divisive special election. To put the bond measures on the ballot, he needs the support of two-thirds of legislators that will require members of both houses to support the plan.

All in all, 2006 is a year of great uncertainty. With a primary that has been moved from March to June and a statewide election in November, it is unclear what, if any, of these issues will be resolved, despite the changing winds of bipartisanship among the Governor and Legislature in their efforts to work towards a greater good for all Californians.

DOI PRELICENSING & CONTINUING EDUCATION PROPOSED REGULATIONS

The Department of Insurance's latest proposed regulations pertain to prelicensing and continuing education for agents and brokers. Specifically, the proposed regulations would, among other things, add a mandatory ethics CE requirement and alter the certification of completion for prelicensing and CE requirements.

For months NAIFA-California has been aware that the DOI was working on these regulations thanks to our representative on the Curriculum Board, Deanna Dooley, who has been part of the process.

We will continue to keep NAIFA-California members apprised of any revisions to these regulations.

If you have any questions regarding any of the topics mentioned in this report, or others not mentioned, please contact Shari McHugh, Legislative Advocate for NAIFA-California, or Dawn Sanders Koepke at 916/440-0850. Thank you!