



April 21, 2015

Hon. Kamala D. Harris
Attorney General
1300 I Street, 17th Floor
Sacramento, California 95814

Attention: Ms. Ashley Johansson
Initiative Coordinator

Dear Attorney General Harris:

Pursuant to Elections Code Section 9005, we have reviewed the proposed initiative (A.G. File No. 15-0009) that would establish requirements regarding the prices the state may pay to purchase prescribed drugs.

Pursuant to subsection (c) of Section 9005 of the Elections Code, we are informing you that, in our opinion, a reasonable estimate of the net impact of this proposed initiative measure cannot be prepared within the 50-day period from the date this proposed initiative was received. The initiative would prohibit the state, or any state administrative agency or other state entity, from entering into any agreement with a drug manufacturer for the purchase of a prescribed drug unless the net cost of the drug is the same as or less than the lowest price paid for the same drug by the United States Department of Veterans Affairs (USDVA). This price ceiling would also apply to all programs where the state or any state administrative agency or other state entity is the ultimate payer for the drug, even if it did not purchase the drug directly. In the time provided, we were unable to obtain sufficient information on the lowest prices paid for prescribed drugs by USDVA to enable us to make a reasonable comparison between the prices paid by USDVA and the prices paid by the state. Lacking such price comparison information, we were unable to come up with a reasonable estimate of the measure's potential fiscal impact on state costs for prescribed drugs. In light of the above, pursuant to subsection (c) of Section 9005 of the Elections Code, we are informing you that it is our opinion that the initiative, if adopted, may result in a substantial net change in state or local finances.

Sincerely,

Mac Taylor
Legislative Analyst

Michael Cohen
Director of Finance