



February 12, 2003  
Long Beach, CA

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Article Last Updated: Tuesday, February 11, 2003 - 9:11:58 PM MST

## The high-cost state

California: Increasing burdens are sending business elsewhere.

In the past couple of years, manufacturing jobs in California have shrunk 10 percent, and not entirely because of a slowing economy. Some of them headed for Idaho, Arizona, Utah or Nevada.

The Golden State, thanks to a business-unfriendly Legislature and governor, is beginning to turn away as much business as it attracts. Partly because of immense budget deficits, state government has piled on new burdens that make it increasingly difficult for businesses to survive.

The most onerous are energy costs, inflicted by mismanagement of the state's energy crisis. That burden, estimated at \$5 billion, will go on for years. In addition, workers' compensation costs for some businesses have doubled; the minimum wage has been raised to \$6.75 an hour; overtime must be paid after eight hours on any given day; and unemployment insurance has risen, as well as other costs not associated with legislation. This year, paid family leave goes into effect, probably at considerable cost in absenteeism and productivity.

Nobody keeps track of how many businesses up and leave for Idaho. But one indication is the number of calls for help received by the L.A. County Economic Development Corp. Between 2001-2002, the EDC handled 9,702 prospects for retention (businesses that were likely to leave California) compared to 8,164 the year before.

California is among the 10 most expensive states to do business in. Generally, a company that uproots itself and moves to a high-growth state like Idaho can expect a cost saving of 20 to 30 percent.

But of course most small businesses can't just pick up and leave. Instead, when rising costs can't be passed along to customers, they simply lay off workers or shut the doors.

Bigger companies don't necessarily leave, but when they expand they do it elsewhere. Surveys show that California is last among choices for new or enlarged production facilities.

What should owners of businesses, especially small ones, do when government-imposed burdens become threatening? In this region, they can call the EDC's Barbara Levine, Gateway Cities regional manager (310 466-5197), for advice and possible assistance. There may be investment tax credits or other ways to help keep the government wolves from the door.

For now at least, businesses won't get much help from Sacramento.

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