

## **CALIFORNIA'S BUSINESS CLIMATE: CALIFORNIA STILL THE WORST STATE FOR BUSINESS, CEOS SAY**

For the eighth consecutive year, California has been identified in Chief Executive magazine's annual survey of chief executive officers as the worst state in the nation in which to conduct business. Texas easily clinched the title of the best state for business, also for the eighth consecutive year.

This year, 650 business leaders responded to the survey, up from 550 in 2011. CEOs were asked to grade states in which they do business among a variety of areas, including tax and regulation, quality of workforce and living environment. The Lone Star State was given high marks foremost for its business-friendly tax and regulatory environment, and for its workforce quality, which ranked second only to Utah's.

"California's enduring place of perpetual decline continues in this year's ranking," the magazine said. "Once the most attractive business environment, the Golden State appears to slip deeper into the ninth circle of business hell. The economy, which used to outperform the rest of the country, now substantially underperforms. And its status as the most ruinously contentious place to operate remains undisturbed in eight years. Its unemployment rate, at 10.9 percent, is higher than every other state except Nevada and Rhode Island. With 12 percent of America's population, California has one-third of the nation's welfare recipients. Each year, the evidence that businesses are leaving California or avoid locating there because of the high cost of doing business due to excessive state taxes and stringent regulations, grows. ... According to Spectrum Locations Consultants, 254 California companies moved some or all of their work and jobs out of state in 2011, an increase of 26 percent over the previous year and five times as many as in 2009."

Observers noted that the state's implementation of AB 32, the 2006 law setting strict new California-only environmental standards and imposing major costs on business, is likely to further diminish the state's ability to attract and maintain employers.

Comments from some of the CEOs who were surveyed:

- "California continues to head in the wrong direction as its tax policies will drive more businesses and people to relocate in other states. State politicians feel business and commerce are 'necessary evils' that provide the funds to enable pursuit of their misguided agendas."
- "California government is difficult to work with and very bureaucratic. Taxes and regulation are high and unruly."
- "California is the worst! They are doing everything possible to drive a business out of their state. If the environment in CA was not so good, they would have lost half of their population."

- "California should become set aside and not included in commerce with the rest of country. They have become impossible to deal with and proposed regulations will further distance them from rest of country."
- "California's taxes and ongoing changes for regulations are devastating. One never knows from even day to day what new interpretation of an existing regulation or new regulation will befall you and your small business."

Florida moved up from number three last year to number two. Since Florida Governor Rick Scott took office, his administration has enacted business tax and regulatory reforms that have contributed to the creation of more than 140,000 private-sector jobs and an unemployment drop of 2.1 percentage points last year, the magazine said.

North Carolina, Tennessee, Indiana, Virginia, South Carolina, Georgia and Utah held their positions in the top 10, with Indiana moving up a notch to fifth. Most of the states in the top 20 are right-to-work states, the magazine said, noting that labor force flexibility is highly sought after when a business seeks a location.