

MANUFACTURING SUMMIT: NEW STUDY REPORTS AB 32 WILL CREATE A MAJOR HIDDEN TAX ON FAMILIES AND BUSINESSES

At the 2012 Manufacturing Summit on June 27, the California Manufacturers and Technology Association unveiled a [new study on the economic impacts of AB 32](#) that found that by 2020, the California-only environmental law will have cumulatively reduced revenue to state and local government by \$21 billion.

AB 32, the Global Warming Solutions Act of 2006, requires California to reduce its emissions by 2020 to 1990 levels.

CMTA President Jack Stewart said: "These policies will create a large but hidden tax on families and will add new burdens to a fragile economy. This new tax is not what we need while Californians struggle to find jobs, meet mortgage payments and maintain a reasonable quality of life."

Since adopting a "scoping plan" for implementing **AB 32**, the California Air Resources Board has not conducted a thorough analysis to understand the economic impacts of **AB 32**.

The CMTA study found that there will be many costs to Californians:

- \$138.8 billion in cumulative costs to consumers by 2020.
- \$35.3 billion in cumulative direct costs to businesses by 2020.
- 262,000 fewer jobs in California by 2020 because of AB 32.
- A \$2,500 increase in annual household energy costs for the average California family.

In other news from the summit:

Forecast Says California's Economic Recovery to Lag the Nation's. Speaking before the manufacturing community at CMTA's manufacturing summit, Dr. Bill Watkins, California Lutheran University's executive director for economic research and forecasting, said now isn't the "time to break the bubbly," explaining that the recession in California may linger for some time.

Dr. Watkins said: "Few, if any, other states can match California for potential. California should outperform them all. California should have the United States' fastest-growing economy. It doesn't."

According to the university's forecast, California's major economic trends appear to be lagging. Coupled with high unemployment and uncompetitive governmental policies – including many "well-meaning but inefficient and often counterproductive regulatory and tax policies" – California should expect slow growth, the report said.

Dr. Watkins noted that a number of solutions may help promote economic recovery. He suggested that an increase in legal immigration would assist a need for housing and

would help economic development. He noted that immigrants often are risk-takers who bring that style into the workforce when opening small businesses. He also suggested cutting regulations at the federal level, including Dodd-Frank and the Surbanes-Oxley acts.

At the state level, Dr. Watkins said California could tap royalties from increased mining of oil and gold. He also said that in order to be more competitive, California doesn't need to cut taxes – the real problem, he said, is the state's burdensome regulatory climate.

Warning that the commercial and industrial sectors will not recover until the residential housing market recovers, Dr. Watkins noted that the United States' recovery is "fragile" and that many global risks may hamper recovery efforts.

Manufacturers Cite Taxes and Regulations as Reasons to Not Expand in California. A [new business expansion study](#) released by CMTA at the 2012 summit highlighted a number of reasons why manufacturers do not expand in California. The study found that 82 percent of manufacturing companies surveyed said they did not consider California when expanding or opening new facilities, because of a "complicated tax system, a poor regulatory environment, high labor costs and a lack of incentives and credits."