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CAL EXODUS

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If California had an official state vehicle, it should be the moving van. Nothing could better illustrate the exodus from the Golden State by companies looking for a friendlier business environment, and individuals seeking job opportunities.

Already California has lost Toyota's U.S. headquarters to Dallas, the company said it is moving "substantial parts" of its operations from Torrance. Carl's Jr. and Jamba Juice also moved out of the state. Now it is losing Jacobs Engineering Group. The \$6.3 billion Pasadena firm that has more than 230 offices across the world, employs 60,000 and generates \$12 billion in annual revenue recently announced that it is relocating its headquarters to, yes, Dallas.

Not every company quitting California is a big name or an international firm. Small companies have left, too. Orange County [relocation specialist Joe Vranich](#) said late last year that 9,000 California businesses had left altogether or partly relocated over the previous seven years – and most went to Texas.

It's not hard to understand why companies are leaving. Vranich points to *Chief Executive Magazine* ranking California – for the 11th straight year – the "worst state for business" in the country in 2015, as well as the state's placing of 48th in the Tax Foundation's State Business Tax Climate Index.

Vranich also quotes Larry Kosmont, publisher of the Kosmont-Rose Institute Cost of Doing Business Survey, who said that California's business tax climate "compels businesses to reconsider their relationship with the state and look elsewhere for a lower-cost solution."

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The problem isn't new, Vranich says. For about 40 years, despite reassurances to the contrary from elected officials and bureaucrats, "California has been viewed as a state in which it is difficult to do business."

As businesses depart, so do people and jobs. The American Legislative Exchange Council's "[Rich States, Poor States](#)" shows that California lost almost 1.3 million individuals from 2005 to 2014.

"It's a good bet these California refugees didn't leave for more sunshine or better weather," Stephen Moore, one of the report's co-authors along with the Pacific Research Institute's Art Laffer, wrote last fall in the [Washington Times](#). The "refugees" are moving to states where taxes are low and, not coincidentally, jobs are more abundant. And the future more promising. California ranked 46th in economic outlook in ALEC's 2016 report, falling from 44th in 2015. It's ranked in the bottom 5 five times in the last seven years.

Decades of flawed public policy went into producing this poor economic outlook. California is last in personal income tax rates, last in personal income tax progressivity and 49th in minimum wage law. It is also dead last in average workers' compensation costs and right-to-work laws – which means that employers are operating under conditions that discourage them from hiring. Despite the bleak future, California has been building. Though not in proportion to its status. In 2014, it ranked 12th in the number of new facilities built, according to Conway Inc.'s, with 170. Not bad. But the state that is the most populous in the country and is third-largest in size – and once had a long history of being the land of opportunity – should do better. Sadly, it doesn't. When measured on a per capita basis, California is 48th in new facilities.

The governor's office, which has the unenviable task of trying to counter California's new reputation as a bad-for-business, economic wreck, frequently resorts to citing the state's job creation numbers: 2 million new jobs since 2011. But it's important to note where and what these jobs are.

The state's job growth has been mostly limited to the tech sector. The *Economist* reported that without growth there, "California's much-vaunted recovery would look a lot shakier."

The high-paying jobs? Investor and entrepreneur [Tim Draper told Bloomberg](#) news earlier this month that, like businesses, they are being lost to other states. This is backed up by Vranich's report, which is loaded with references to companies leaving California and creating high-paying jobs in their new locations.

It's unlikely to get any better. The California Employment Development Department projects that the five jobs expected to grow the fastest by 2022 will be low-wage jobs – those paying less than \$12 an hour. That is also the same year the state's minimum wage will be fully raised to \$15 an hour, which is itself a [job killer](#).

It's not for nothing that California has been called the "[sick man of America](#)." It doesn't have to be, though. There is a road to health. If lawmakers would read Laffer's *Eureka!: How to Fix California*, they'd have a clearly marked map showing which tax policies and regulatory reforms they need to steer toward.