



Why Company Headquarters Are Leaving California in Unprecedented Numbers

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This paper provides the most detailed and comprehensive data on relocations of California business headquarters between 2018 and 2021. We document that these headquarter exits have more than doubled in 2021. We discuss several economic factors that have led to these departures by raising business costs, reducing productivity, and reducing profitability, including tax policies, regulatory policies, labor costs, litigation costs, energy and utility costs, and concerns about a declining quality of life within the state. Unless policy reforms reverse this course, California will continue to lose businesses, both large established businesses, as well as young, rapidly growing businesses, some of which will become the transformational giants of tomorrow.

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1. Introduction

California is experiencing a substantial loss of company headquarters to other states. This paper uses several data sources to provide the most detailed and systematic documentation of the companies that have relocated their headquarters out of California to other U.S. states between 2018 and 2021.

An earlier version of this paper examined only the first six months of 2021. This revision includes all of 2021. We find that the number of companies relocating their headquarters out of California in 2021 occurred at twice the rate of 2020. Our findings show that 352 companies moved their headquarters to other states just in the period from January 1, 2018, through December 31, 2021, based on either the date of the announcement or the date of documentation with the state, whichever came first. Every month in 2021, twice as many companies relocated their headquarters as in the prior year. The monthly average for 2021 also significantly exceeds the monthly averages for 2018 and 2019. California lost both very large companies, including eleven Fortune 1,000 companies between 2018-21, and small, rapidly growing companies with the potential to become transformational. From this perspective, California is not only losing current leading businesses, but potential future leading businesses as well.

We identify the California counties that lost headquarters facilities and the states to which migrations occur. We present evidence on economic factors that in our view are contributing to these losses, including high tax rates, punitive regulations, high labor costs, high utility and energy costs, and high living costs, particularly the cost of housing affordability. We find that California is either at the bottom of statewide rankings on these factors, or near the bottom of these rankings. California's poor performance on these rankings dovetails with anecdotal evidence from CEOs and other business leaders who find California's business climate deficient compared to other states.

The paper is organized as follows. Section 2 presents data on business relocations from California, the California counties which have been hit the hardest, the primary destination states for these relocations, and new capital facility spending projects. Section 3 presents some perspectives from business leaders on California's business environment. Section 4 compares California's tax environment with other states. Section 5 discusses California's litigation costs. Section 6 discusses California business regulations. Section 7 summarizes California's high labor costs. Section 8 presents data on California business energy costs. Section 9 describes declines in California's quality of life. Section 10 describes tax incentives to draw businesses to California. Section 11 analyzes why our data on California headquarter relocations substantially undercounts these exits. Section 12 concludes. An Appendix follows the conclusion section.

2. California's Business Exits

This report focuses on California companies moving their headquarters to other states and the reasons why companies do so. These exits negatively impact the state and particularly the local communities that lose these headquarters. Employees also leave, reducing demand within their former communities and reducing economic vibrancy. Jobs are not the only loss. There is also the loss of corporate income tax revenues, business property taxes, rents to property owners, payments to contractors, and fees to companies in the travel industry such as hotels and rental car

companies. The departing organization often shifts its philanthropic contributions away from non-profit organizations in their traditional location and to establishments in their new location.

California lost a total of 352 headquarters in the period January 1, 2018, through December 31, 2021, and the departures are accelerating as more relocation plans move to implementation. The breakdown by year and monthly averages, shown in Table 1 indicates that the 2021 total of 153 – which average 12.8 per month – is more than double the 2020 full-year loss and significantly above the 2018 and 2019 monthly averages. And as we describe in Section 11, our count is almost certainly biased downwards significantly, because relatively small businesses – those that do not attract media coverage or that are small enough to avoid filing compliance reports – are extremely difficult to detect.

Year	Total Events	Monthly Average
2021	153	12.8
2020	75	6.3
2019	78	6.5
2018	46	3.8
Total All Years	352	7.3

One reason for the acceleration in business exits is that relocation planning often takes between one and three years from the initiation of research to the announcement of the move. One example is The Walt Disney Company announcing in July 2021 that it will relocate 2,000 jobs (not the headquarters) from the Los Angeles area to Orlando, Florida, and indicated that planning had begun in 2019. The move may not be completed until the end of 2022.¹ The relocation isn't for headquarters, so the event is not reflected in the statistics of this report. Nonetheless, some Disney headquarters jobs will move to Florida. Some headquarters operational jobs will also be relocated to Canada because the Walt Disney Animation Studios division will move work from its Burbank headquarters to a new studio in Vancouver, British Columbia.² That partial relocation also is excluded from this report.

A headquarters relocation that is included in this report is the National Hot Rod Association which is leaving California after 12 years of study. The NHRA started considering moving its headquarters to Indiana in 2009 and did not decide on this move until 2021.³

Some of the corporations relocating their headquarters are among the 1,000 largest businesses in the country as ranked by Fortune magazine. A community landing a company headquarters can increase economic activity significantly. As the *Nashville Business Journal* pointed out, "Headquarters are especially prized economic development wins because such jobs typically feature higher pay, and they inject a company's decision-makers into the market, which can impact everything from real estate purchases to philanthropy to support for public schools."⁴ Table 2 reflects such activity for the Fortune 1000 list and the company's 2022 rankings. Eleven Fortune 1000 companies left California in the 2018-21 period.

Table 2: Fortune 1,000 Headquarters that Left California 2018-2021			2022 Fortune Ranking
Company	California Location	Destination	
McKesson Corp.	San Francisco > San Francisco	Texas > Irving	9
Tesla	Santa Clara > Palo Alto	Texas > Austin	65
Oracle	San Mateo > Redwood City	Texas > Austin	91
Hewlett Packard Enterprise (HPE)	Santa Clara > San Jose	Texas > Houston	123
CBRE Group	Los Angeles > Los Angeles	Texas > Dallas	126
Charles Schwab	San Francisco > San Francisco	Texas > Westlake	188
KLA Corporation (HQ2)	Santa Clara > Milpitas	Michigan > Ann Arbor	474
Parsons	Los Angeles > Pasadena	Virginia > Centreville	733
Kaiser Aluminum	Orange County > Lake Forest	Tennessee > Franklin	906
NortonLifeLock / Symantec	Santa Clara > Mountain View	Arizona > Tempe	917
Woodward Inc.	Los Angeles > Duarte	Colorado > Fort Collins	972

Summary of Losses by California County

Los Angeles and San Francisco counties have experienced the highest number of relocations. This likely reflects the fact that headquarters are concentrated in those cities, and that these counties are reported by companies as having higher business costs.

Headquarters migrations out of Santa Clara, Alameda and San Mateo counties reflect high-tech companies in the digital and social media world opting for less expensive locations not only to control business costs but to recruit workers with the benefits of lower housing costs. The counties with the most losses are shown in Table 3, below:

Table 3: Top Ten Losses by California County						
Jan 1, 2018 through December 31, 2021						
Rank	County	Total		Rank	County	Total
1	Los Angeles	80		7	San Mateo	12
2	San Francisco	52		8	Sacramento	10
3	Orange	39		9	Riverside	8
4	Santa Clara	38		10	San Bernardino	7
5	San Diego	26		10	Placer	7
6	Alameda	23				

Destination States for California Headquarter Relocations

Texas has been the most frequent destination for California company relocations, as it has been for at least a decade. Arizona and Nevada are also frequently near the top of the ranking, which we believe partially reflect convenient airline schedules connecting with California's largest cities. Los Angeles is approximately a one-hour flight to Phoenix and Las Vegas, and San Francisco is a short flight to Reno. Those convenient travel times influence corporate executives and business owners to relocate to those communities. Tennessee and Florida are also becoming frequent homes for relocating California businesses, as shown in Table 4, below.

Table 4: Top Ten States for California Relocations										
Jan 1, 2018 through December 31, 2021										
Rank	State	Known Relocations		Rank	State	Known Relocations		Rank	State	Known Relocations
1	Texas	132		7	North Carolina	13		10	Indiana	4
2	Tennessee	31		8	Ohio	7		10	Missouri	4
3	Nevada	25		9	Georgia	5		10	Michigan	4
4	Florida	24		9	Kentucky	5		10	Arkansas	4
5	Arizona	21		9	Virginia	5		10	Utah	4
6	Colorado	20								

California Lags in Total New Capital Projects

An important indicator of geographic preferences for business capital investment for all types of relocated facilities and new facilities is found in *Site Selection Magazine*. The publication reports the number of capital projects by state. The latest findings are for 2020. Their analysis covers all facilities including factories, research and development units, data centers, call centers, back offices, and distribution centers. The data is reported by total projects and the number of projects per capita.

California should be among the states with the largest number of new capital projects, given it is the nation's third-largest state in land area, is the nation's most populous (39.5 million per the 2020 census), has an enormous geographic advantage in being home to ports positioned well for international shipments, and has considerable business-to-business and business-to-consumer customer bases. Despite such assets, California ranks 16th, as shown in Table 5. Texas is the leader, as it has been for many years. Ohio, Indiana, Kentucky, and Alabama, all of which are much smaller than California, rank higher in total new investment projects.

Table 5: New Project Rankings by Total Projects for 2020										
Rank	State	Projects		Rank	State	Projects		Rank	State	Projects
1	Texas	781		17	Missouri	96		34	Washington	17
2	Ohio	419		18	Michigan	85		35	Nevada	16
3	Georgia	360		18	Tennessee	85		36	Connecticut	14
4	Illinois	329		20	Kansas	70		37	Oregon	13
5	North Carolina	194		21	Nebraska	59		38	Delaware	11
6	Indiana	189		22	Wisconsin	58		39	Idaho	10
7	Kentucky	152		23	Iowa	48		40	West Virginia	8
8	Virginia	136		23	Minnesota	48		41	Maine	7
9	Florida	125		25	Massachusetts	47		42	Wyoming	6
10	Pennsylvania	123		26	Mississippi	46		43	South Dakota	5
11	Alabama	121		27	Maryland	45		43	Montana	5
12	Louisiana	116		28	New Jersey	39		45	New Hampshire	4
13	New York	111		29	Colorado	29		46	Hawaii	3
14	South Carolina	110		30	Oklahoma	24		47	Rhode Island	2
15	Arizona	108		31	Arkansas	21		47	Vermont	2
16	California	103		31	Utah	21		47	North Dakota	2
Source: <i>Site Selection Magazine</i>				33	New Mexico	20		47	Alaska	2

California Significantly Lags in Per Capita Capital Projects

California’s ranking plummets to 46th (tied with North Dakota) when measured on a per-capita basis. Table 6 shows these data.

Table 6: New Project Rankings Per Capita for 2020

Rank	State	Pro-jects	Per Million	Rank	State	Pro-jects	Per Million	Rank	State	Pro-jects	Per Million
1	Ohio	419	35.8	17	Arizona	108	15.1	32	Idaho	10	5.7
2	Georgia	360	34.2	18	Tennessee	85	12.6	35	Nevada	16	5.3
3	Kentucky	152	34.0	19	Delaware	11	11.4	36	Maine	7	5.2
4	Nebraska	59	30.6	20	Wyoming	6	10.4	37	Colorado	29	5.1
5	Indiana	189	28.2	21	Wisconsin	58	10.0	38	Montana	5	4.7
6	Texas	781	27.2	22	Pennsylvania	123	9.6	39	New Jersey	39	4.4
7	Illinois	329	25.8	23	New Mexico	20	9.5	39	West Virginia	8	4.4
8	Louisiana	116	24.9	24	Minnesota	48	8.6	41	Connecticut	14	3.9
9	Alabama	121	24.8	25	Michigan	85	8.5	42	Vermont	2	3.2
10	Kansas	70	24.0	26	Maryland	45	7.4	43	Oregon	13	3.1
11	South Carolina	110	21.6	27	Arkansas	21	7.0	44	New Hampshire	4	2.9
12	North Carolina	194	18.7	28	Massachusetts	47	6.8	45	Alaska	2	2.7
13	Virginia	136	16.0	29	Utah	21	6.6	46	North Dakota	2	2.6
14	Missouri	96	15.7	30	Oklahoma	24	6.1	46	California	103	2.6
15	Mississippi	46	15.4	31	Florida	125	5.9	48	Washington	17	2.3
16	Iowa	48	15.2	32	New York	111	5.7	49	Hawaii	3	2.1
Source: <i>Site Selection Magazine</i>				32	South Dakota	5	5.7	50	Rhode Island	2	1.9

3. Independent Evaluations of California’s Business Environment

Understanding business relocations requires comparing the quality of state-level business climates, as businesses will move to the locations that are best for creating economic activity. Several independent surveys have concluded that California’s business climate ranks poorly compared to other states.

Chief Executive Magazine: California - The ‘Worst State for Business’

A key finding about how corporate leaders rank a state’s business climate is reflected in *Chief Executive* magazine’s 2021 survey, “The Best and Worst States for Business,” which found a growing number of CEOs were open to relocating as Covid-19 concerns dissipated. The publication summarized the survey as follows:

“Despite a global pandemic, near-economic collapse, civic unrest, just-plain-insane election cycle and everything in between during this crazy Covid year, when it comes to the places CEOs like to do business, the old saw is true: The more things change, the more they stay the same. For the 17th year in a row, Texas tops *Chief Executive’s* Best and Worst States for Business list. Number two? Florida, once again. When it comes to the three criteria CEOs tell us they value most in site selection – tax policy (37 percent rank it first), regulatory climate (35 percent) and talent availability (25 percent) – Texas

and Florida outclass all comers. And once again—yawn—California, New York, Illinois and Massachusetts pile up at the bottom of our rankings (based entirely on polling of the nation’s CEOs) where they have dwelt for most of the list’s existence. But while the names at the top and the bottom remain unchanged, what has changed—dramatically—are the stakes. . . . Forty-four percent of those we surveyed report that they’re “more open than before to examining new locations” for their business, while 34 percent said they’re “considering shifting [or] opening significant operations [or] facilities in a new state.”⁵

The rankings are in Table 7, as follows:

Table 7: The 2021 Best & Worst States for Business							
Rank	State		Rank	State		Rank	State
1	Texas		17	Iowa		34	West Virginia
2	Florida		18	Missouri		35	New Mexico
3	Tennessee		19	Louisiana		36	Maine
4	North Carolina		20	Colorado		37	Rhode Island
5	Indiana		21	Idaho		38	Maryland
6	South Carolina		22	Wisconsin		39	Vermont
7	Ohio		23	Kentucky		40	Minnesota
8	Nevada		24	New Hampshire		41	Pennsylvania
9	Georgia		25	Montana		42	Hawaii
10	Arizona		26	Nebraska		43	Connecticut
11	Utah		27	Kansas		44	Oregon
12	South Dakota		28	Oklahoma		45	Massachusetts
13	Virginia		29	North Dakota		46	Washington
14	Delaware		30	Alabama		47	New Jersey
15	Michigan		31	Arkansas		48	Illinois
16	Wyoming		32	Mississippi		49	New York
			33	Alaska		50	California

Source: Chief Executive Magazine

California Policies Are Costly to Small Businesses

The judgment of Chief Executives is mirrored by owners of smaller businesses. For example, Bing Energy CFO Dean Minardi said when announcing that the fuel-cell maker was relocating from San Bernardino County to Tallahassee, Florida that “I just can’t imagine any corporation in their right mind would decide to set up in California today.”⁶

The Small Business & Entrepreneurship Council (SBE Council) has examined how public policies in the 50 states affect entrepreneurship, small business, and the economy. The organization ranks the states according to 62 policy measures, including tax, regulatory, and government spending provisions.

SBE Council President and CEO Karen Kerrigan said, “States that provide better business environments and continuously improve their policy climates are in the best position to attract new investment, entrepreneurs, and business relocation opportunities. People are also moving to these low-cost, business-friendly states, which provides for a ready workforce.”⁷ While the findings were published in 2019, it’s likely that during the COVID pandemic the states that had an unfavorable business climate remained so while states with positive business environments retained their status.

The most “entrepreneur-friendly” states are (1) Texas, (2) Nevada, and (3) Florida, while the three most unfriendly are (48) Hawaii, (49) California, and (50) New Jersey, as shown in Table 8, below:

Rank	State	SBPI	Rank	State	SBPI	Rank	State	SBPI
1	Texas	45.798	17	Mississippi	78.522	34	Pennsylvania	94.309
2	Nevada	49.100	18	North Dakota	79.159	35	Illinois	96.716
3	Florida	49.920	19	Missouri	79.938	36	Arkansas	98.069
4	South Dakota	51.618	20	South Carolina	79.998	37	Nebraska	102.046
5	Wyoming	56.093	21	Oklahoma	80.653	38	Massachusetts	105.044
6	Indiana	68.129	22	Georgia	80.689	39	Rhode Island	106.290
7	Utah	71.002	23	Alaska	82.870	40	Maryland	107.927
8	Alabama	71.378	24	New Mexico	84.238	41	Maine	109.022
9	Arizona	71.449	25	Kansas	85.673	42	Iowa	112.303
10	Washington	71.527	26	Idaho	85.720	43	Oregon	112.829
11	Tennessee	72.570	27	New Hampshire	87.436	44	Connecticut	113.830
12	Colorado	73.469	28	Wisconsin	87.675	45	Vermont	119.403
13	Ohio	73.543	29	Louisiana	89.047	46	Minnesota	122.883
14	Michigan	73.728	30	Kentucky	89.051	47	New York	124.075
15	North Carolina	74.517	31	West Virginia	89.325	48	Hawaii	129.044
16	Virginia	75.880	32	Montana	90.785	49	California	143.165
Source: SBE Council			33	Delaware	91.472	50	New Jersey	146.270

SBPI: Small Business Policy Index Scores - the latest data available is for 2019

4. California’s High Business and Personal Tax Laws

State Business & Individual Taxes

Joel Kotkin, Presidential Fellow in Urban Futures at Chapman University, pointed out that a Berkeley Institute of Governmental Studies survey found that voters increasingly identify the root of California’s problems as excessive taxation and regulation. 81 percent of respondents said state and local taxes are too high, with 48 percent saying taxes are ‘much too high.’ Voters widely agreed (78 percent) that high taxes are driving people and businesses out of the state.”⁸

Taxes are a major factor in the cost of doing business. According to Jared Walczak and Janelle Cammenga of the Tax Foundation, noting “Most importantly, taxes diminish profits. If taxes take a larger portion of profits, that cost is passed along to consumers (through higher prices), employees (through lower wages or fewer jobs), shareholders (through lower dividends or share value), or some combination of the above. Thus, a state with lower tax costs will be more attractive to business investment and more likely to experience economic growth.”⁹

The Tax Foundation’s 2022 State Business Tax Climate Index evaluates taxes in five categories in calculating a state’s overall ranking, namely corporate taxes, individual income taxes, sales taxes, property taxes, and unemployment insurance taxes. It’s rarely understood how the personal income tax component impacts business entities. A significant number of firms, including sole proprietorships, partnerships, and LLCs, report their income through the individual income tax code depending on the state.

California is ranked 48th, trailing New York and New Jersey. There is little evidence that California’s position is likely to improve considering that higher taxes are often proposed within the California state legislature. The Tax Climate Index rankings are shown in Table 9, below:

Index Rate	State	Index Rate	State	Index Rate	State
1	Wyoming	18	Kentucky	35	Nebraska
2	South Dakota	19	North Dakota	36	Illinois
3	Alaska	20	Colorado	37	Ohio
4	Florida	21	West Virginia	38	Iowa
5	Montana	22	Oregon	39	Alabama
6	New Hampshire	23	Arizona	40	Rhode Island
7	Nevada	24	Kansas	41	Hawaii
8	Tennessee	25	Virginia	42	Louisiana
9	Indiana	26	Oklahoma	43	Vermont
10	Utah	27	Wisconsin	44	Arkansas
11	North Carolina	28	New Mexico	45	Minnesota
12	Michigan	29	Pennsylvania	46	Maryland
13	Missouri	30	Mississippi	47	Connecticut
14	Texas	31	South Carolina	48	Wash., DC *
15	Washington	32	Georgia	48	California
16	Delaware	33	Maine	49	New York
17	Idaho	34	Massachusetts	50	New Jersey

Source: Tax Foundation "2022 State Business Tax Climate Index." Note: A rank of 1 is best, 50 is worst. DC’s score and rank do not affect other states. The report shows tax systems as of July 1, 2021 (the beginning of Fiscal Year 2022).

Californians Exiting the State

Households, as well as businesses, are also increasingly leaving the state. For the first time in its 171-year history, California lost a seat in the U.S. House of Representatives based on the U.S. Census Bureau's 2020 population estimates. This stands in contrast to the fact that California grew its Congressional delegation without interruption since it was admitted as a state in 1850.¹⁰

California’s net domestic migration has been declining significantly for years. The loss was 34,000 in 2012, rising to a loss of 277,000 in 2021. Wendell Cox and Joel Kotkin note “Over the last 10 years, California lost more than 1.625 million net domestic migrants—more than the population of Philadelphia. Altogether, 2.7 million more people—a population larger than the cities of San Francisco, San Diego and Anaheim combined—have moved to other states from California than the other way around over the last 20 years, and immigration is no longer making up the difference.”

Population losses continue based on trends over the 15 months from the 2020 Census (April 1, 2020) to the updated report released on July 1, 2021. Then, at the metropolitan level, two in California are among those experiencing the largest recent population losses. New York suffered the biggest decline in population (372,000) while the other two were Los Angeles (204,000) and San Francisco (126,000).¹¹

Arthur Laffer observed that “Governor Gavin Newsom has yet to make policy changes significant enough to reverse California’s looming economic decline. The state has seen net outmigration of nearly 1 million residents over the past decade, with former Californians citing high taxes as a common reason for leaving the state.”¹²

In considering personal income taxes, Dan Walters noted that “California is a high-tax state — relative not only to what’s happening elsewhere but to our own economy. But how high is not easy to figure out because we not only pay a lot of taxes that are obvious, such as those on income, retail sales and automotive fuel, but many that are virtually hidden. Nor is there any central repository of data on taxes, because they are levied by thousands of state and local government entities and often commingled with fees for particular services.”¹³

California’s tax burden becomes comparatively worse when evaluating recent tax changes at the state level. In 2021, the 11 states shown in Table 10 enacted laws to reduce their income taxes, with most reducing individual tax rates and five reducing corporate income taxes: Arizona, Idaho, Iowa, Louisiana, Missouri, Montana, Nebraska, New Hampshire, Ohio, Oklahoma and Wisconsin. The Table shows that tax revenue rose in all these states. We do not conclude that the tax rates were the cause of higher revenue, but it is interesting that revenues did increase despite lower tax rates.

Arizona	+21%
Idaho	+35%
Iowa	+13%
Louisiana	+6%
Missouri	+17%
Montana	+19%
Nebraska	+23%
New Hampshire	+11%
Ohio	+13%
Oklahoma	+5%
Wisconsin	+9%
Sources: Tax Foundation and state revenue agencies. Several states had data only through May, not June (end of fiscal year); in such cases eleven-month figures were used for both fiscal years for comparability.	

Tax reduction measures continued in 2022 as Kentucky and Mississippi took steps to *eliminate the income tax* while Georgia, Indiana, South Carolina and Utah are seeking to reduce income taxes. Tennessee is considering tax relief for employers.¹⁴ It is typical for tax-abatement advocates to cite the need to treat businesses fairly to boost their economic competitiveness.

Threats to California Real Estate Tax Protections

Rapid tax increases in the 1970s led Californians to approve real estate tax limitations through “Proposition 13”, which limits the property tax rate to 1 percent, with only a few exceptions. Also, the provision limits annual increases to no more than 2 percent, except when properties are

reassessed to current market value only upon a change in ownership or completion of new construction.¹⁵

The Howard Jarvis Taxpayers Association (HJTA) discusses the tax issues that brought about Proposition 13 as follows:

Prior to Proposition 13, property taxes were out of control. The tax rate throughout California averaged almost 3 percent of market value, and there were no limits on increases either for the tax rate or property value assessments. Some properties were reassessed 50 percent to 100 percent higher in just one year, so their owners' tax bills skyrocketed. . . . In one year in Los Angeles County alone, 400,000 people had not paid their property tax because they didn't have the money, running the risk of being forced out of their homes. Elderly people were among the hardest hit. Many had paid off their mortgages yet faced losing their homes because they couldn't afford property taxes. . . . Howard Jarvis gathered more than 1.5 million signatures to qualify a statewide initiative that would finally end excessive taxation and protect the security of home ownership – Proposition 13. An overwhelming majority of Californian voters – almost 66% – voted for Proposition 13 because they knew that the initiative would finally take power away from the tax collectors and give it back to the taxpayers. And once Howard Jarvis and his Tax Revolt passed Proposition 13, property tax rates finally became predictable, manageable, and fair.¹⁶

There are frequent threats against Proposition 13's tax base protections. The most recent was in 2020, with Proposition 15, which would have repealed Proposition 13 protections for business property. It became known as the "split roll" proposal for the way it would increase taxes on commercial and industrial properties while continuing to protect residential properties. The increase in business property taxes would have been phased in beginning in fiscal year 2022-2023. Despite the Proposition continuing tax protection for residential land, some viewed Proposition 15 as opening the door to future residential property tax hikes. Jon Coupal, HJTA's President: "Prop. 15 is a direct threat to homeowners. Supporters of the tax hike openly admitted that this is merely the first step in completely dismantling Prop. 13."¹⁷ Voters defeated that initiative by 52-to-48 percent, but we believe that modifying Proposition 13 will continue to arise in the state, given just how much revenue is at stake.

5. California's Uncompetitive Litigation Environment

The American Tort Reform Foundation (ATRF) has called California a "legal hellhole", where lawsuit abuse against businesses is widespread. In addressing the findings in its 2020/2021 "Judicial Hellholes" Report, the organization said, "In a year when many states saw a significant decrease in litigation, California plaintiffs' lawyers continued to target businesses, while the legislature and judiciary pursued innovative new ways to expand liability. Businesses, small and large, are struggling to stay afloat, yet California's leadership failed to ease unjust liability burdens and further stacked the deck against their survival."¹⁸

For several years, ATRF identified California as the worst or among the worst of the nation's systems. They found California's civil court system to be high-risk for businesses when it comes

to employee lawsuits – and where the likelihood of catastrophic verdicts is higher than in other states.

The organization states that plaintiffs’ lawyers take advantage of unique California laws such as the Private Attorney General Act (PAGA) and the California Consumer Protection Act. Small business continues to be targeted by Americans with Disability Act lawsuit abuse. Arbitration is under attack and employers face burdensome employment law liability. ATRF’s latest report states that in 2020, during the Covid-19 pandemic:

Almost 60 percent of Californians believe that lawmakers are not doing enough to combat lawsuit abuse. Excessive tort costs in California lead to an annual estimated \$15.1 billion lost in direct costs and 242,761 jobs according to The Perryman Group. This amounts to each Californian paying a \$594.74 “tort tax.” California’s improvement from holding the worst state ranking to being third from the bottom is not indicative of an improvement in the state’s civil justice system but rather results from the rapid deterioration occurring in Pennsylvania and New York City.¹⁹

California competes with New York for the most “no-injury” consumer class actions targeting the food and beverage industry. These are lawsuits that often claim that some aspect of a product’s packaging or marketing misleads consumers, even though these claims may have little if any objective factual basis.

California’s ‘Sue Your Boss’ Law

At one time, if an employee had a grievance against their employer, a review process was available through the California Labor & Workforce Development Agency (LWDA).²⁰ But lawyers prefer to sue under the Private Attorney General Act (PAGA) because by doing so they can earn much larger fees.

PAGA – often referred to as the “Sue Your Boss” law – authorizes aggrieved employees to file lawsuits to recover civil penalties on behalf of themselves, other employees, and even the State of California for Labor Code violations.²¹ The law allows employees to essentially step into the shoes of a state enforcement agency for allegedly aggrieved employees and their coworkers.

PAGA allows employees to sue for almost *every* Labor Code violation, not just serious violations or those dealing with health and safety, which is why a PAGA claim (for a filing fee of only \$75) can be much more harmful to an employer than a regular Labor Code violation; lawsuits filed under PAGA allow employees to litigate virtually any infraction of California’s 1,050-page labor law digest.

Since PAGA gives workers such wide latitude, including allowing their attorneys to recover 100 percent of their fees, extensive lawsuits – threatened or real – hit companies hard in California. Under PAGA, employers can be fined and be subject to litigation for a mistake on a paycheck stub.

PAGA imposes monetary fines on employers for each violation of nearly every single Labor Code provision. If the code fails to provide for a penalty, PAGA imposes its own fines on the

employer. The costs to businesses because of PAGA have grown from \$4.5 million in its inception year of 2004 to an estimate of \$40 million in the 2018-2019 fiscal year, the most recent available estimate.

Tom Manzo, President of Timely Industries, learned that the company was being sued by an employee for wage and hour violations. The company was concerned it might have to spend a minimum of \$200,000 in attorney fees and over one million dollars on settling a Private Attorney General Act (PAGA) lawsuit. Manzo summarized the concerns employers have with that law:

“Created in the beginning to aid employees in 2004 it has turned into a money-making machine for unscrupulous attorneys. We have ambulance chasers that are chasing companies and cashing in on the Golden Ticket daily. It is shameful how our State and Government allow such atrocities. Attorneys from Beverly Hills are walking away with hundreds of thousands of dollars. The employees they are allegedly protecting are losing their jobs after such an assault due to layoffs or company closures.”²²

We are unaware of any evidence that this law will be diminished in scope or eliminated. In July 2021, the California Law Revision Commission was asked whether it intends to recommend the abolition of PAGA, and if so, when. The response from Brian Hebert, the commission’s executive director, was that “We do not have statutory authority to do so.”²³ It is unlikely the legislature will provide such authority considering the strong support for PAGA from organized labor and attorneys represented by the California Labor Federation AFL-CIO,²⁴ Consumer Attorneys of California,²⁵ the UCLA Labor Law Center,²⁶ the California Employment Lawyers Association,²⁷ and the California Rural Legal Assistance Foundation.²⁸

Covid-19 did not slow PAGA lawsuits, as explained by the California Business and Industrial Alliance:

Even though the Covid-19 pandemic shut down California, trial attorneys didn’t take a break. Since March [through October 2020], more than 3,000 Private Attorneys General Act (PAGA) lawsuits have been filed....Who’s profiting from these ludicrous lawsuits? It’s not the employees, that’s for sure. A recent \$675,000 PAGA settlement delivered 93 percent of the money directly to the pockets of Lawyers for Justice, one of the state’s most prolific PAGA mills. Just \$10k went to the lead employee on the complaint, and a measly \$33 was paid to each of the other employees.²⁹

California’s litigation climate imposes higher costs on businesses with no attendant benefits and is almost certainly contributing to business relocation.

6. California’s Regulatory Climate

According to the Mercatus Center, California is the most highly regulated state in the country, with over 395,000 pages of regulations. The challenges that businesses have in complying with these regulations are compounded because they must also deal with 518 state agencies, boards, and commissions.³⁰

California's regulations create an equal set of challenges for any company when it comes to broad areas such as wages, employment discrimination, tax regulations and state standards for certain professionals. However, major differences affect companies with manufacturing facilities as regulatory costs can be enormous because a factory, food processing facility, or warehouse will have many "non-exempt" (hourly) employees. That translates to an intensive application of California's labor laws and opens the company to multiple class action lawsuits. Adding to the burden, manufacturers have specialized regulations depending upon what is being produced – auto parts, furniture, food or beverages, textiles, petroleum products, drugs, electronics, machine tools, packaging, containers – et al.

The costs to manufacturers for implanting systems per regulations – and to stay in compliance through follow-up certifications and payment of fees – are higher in California than in other states. Moreover, competitors in some other countries enjoy reduced costs because of weaker or non-existent regulations regarding labor, product liability, manufacturing defects, consumer warnings, requirements to reformulate products, and unique rules for containers, packaging, water rationing, recycling and pollution.

Manufacturers have been encouraged to look to the future and "develop a long-term compliance strategy that prepares and anticipates future regulatory requirements and ensures there are no disruptions to their sales pipelines and market share."³¹ Unfortunately, it is difficult to anticipate future regulatory requirements in California.

Paycheck Stub Regulations

One example of how California severely regulates business is that a company can suffer a lawsuit as well as a fine from the state of California for an inconsequential mistake on a paycheck stub. The check could be issued in the proper amount, given to the employee on time, and clear the bank without failure, all of which is irrelevant if the stub fails to meet the state's requirements.

According to attorney Melissa C. Marsh, California law requires specific pieces of information to be included on every payroll paystub or wage statement for each employee. Failure to comply with the law "is not only a misdemeanor but also carries a civil penalty of \$50 for the first violation and \$100 per pay period for each subsequent violation up to a total of \$4,000 per employee." Individually, the claim may not seem large, but if a plaintiff's attorney brings a PAGA claim on behalf of all prior employees, the civil penalties assessed can be substantial.

Attorney Marsh clarified that "case law states that partial or even substantial compliance is not a defense." One wage statement violation involved the identification of the employer as "Summit," when the employer's full name was "Summit Logistics, Inc." Even a failure to include the employer's complete address on the pay stub is considered grounds for litigation.³²

Regarding the impact of relocating a business, Kimberly Davis of Quest Site Solutions writes:

States vary significantly in terms of corporate regulations. While the desire to relocate to a state with less stringent corporate regulations is not a new motive for a headquarters project, the weight placed on this factor has increased significantly [in 2021]. Among the

myriad of business climate factors that come into play, state regulations around board diversity is the latest differentiator that is causing some companies to consider a corporate move. As these new regulations begin to be implemented, this trend is likely to continue.³³

California Ranks Low in ‘Economic Freedom’ Rankings

Economic Freedom is an important concept for economists and has implications for the ability of a business to grow and prosper. Economic freedom refers to the quality of government institutions that permit businesses and households to own property, to have that property protected, to freely make decisions, and participate in open and competitive marketplaces.

For 30 years, the Fraser Institute has measured how state policies are supportive of economic freedom and the ability of individuals to act in the economic sphere free of undue restrictions. Their report, “The Economic Freedom of North America,” employs 10 variables for state governments in areas such as taxes, labor market freedom, legal systems and property rights, top marginal income, payroll tax rates, government spending, and business regulations. Federal-level factors are included, which help capture restrictions on economic freedom that are difficult to measure exclusively at the state and municipal and local levels.³⁴

The findings in its November 2020 report show that the most economically free state is New Hampshire, followed by Florida, Virginia, Texas, and Tennessee. California ranks 47th, as shown in Table 11, below:

Rank	State	Score	Rank	State	Score	Rank	State	Score
1	New Hampshire	7.84	17	Wyoming	6.72	34	Illinois	5.96
2	Florida	7.73	18	Massachusetts	6.69	35	Ohio	5.75
3	Virginia	7.62	19	Wisconsin	6.58	36	Alabama	5.71
4	Texas	7.61	20	Arizona	6.57	37	Maine	5.58
5	Tennessee	7.55	20	Maryland	6.57	38	Delaware	5.51
6	South Dakota	7.28	22	Nevada	6.54	39	Kentucky	5.45
7	Georgia	7.27	23	Colorado	6.49	40	Minnesota	5.44
8	Indiana	7.08	24	Pennsylvania	6.48	41	Mississippi	5.38
9	Oklahoma	7.05	25	Connecticut	6.45	42	New Mexico	5.37
10	Idaho	7.04	26	Louisiana	6.41	43	Rhode Island	5.23
11	North Carolina	6.95	27	Montana	6.29	44	Oregon	5.17
12	Missouri	6.92	28	Iowa	6.23	45	Hawaii	5.12
13	North Dakota	6.88	29	Arkansas	6.14	46	Vermont	5.08
14	Kansas	6.86	30	South Carolina	6.11	47	California	4.71
15	Nebraska	6.75	31	Michigan	6.00	48	Alaska	4.67
16	Utah	6.73	32	New Jersey	5.99	49	West Virginia	4.50
			33	Washington	5.97	50	New York	4.25

Source: “Economic Freedom of North America 2020,” The Fraser Institute

California’s Costly Permitting Process

Obtaining permits from state, regional, and local agencies in California is expensive and time-consuming reflecting a confusing process with bureaucratic delays.

For example, consider the length of time required for one Carls' Jr. fast-food restaurant to obtain a building permit in Los Angeles after signing a lease. It takes 60 days in Texas, 63 in Shanghai, and 125 in Novosibirsk, Russia. In Los Angeles, it's 285. "I can open up a restaurant faster on Karl Marx Prospect in Siberia than on Carl Karcher Boulevard in California," said former CEO Andy Puzder of CKE Restaurants.³⁵ The company moved its headquarters from Carpinteria in Santa Barbara County to Franklin, Tennessee, near Nashville.³⁶

Permitting difficulties aren't limited to the state's large cities.

In San Clemente, California, a company applied for a permit to build a walkway between two buildings to allow forklift drivers to avoid driving through an alleyway. Separate owners of the two leased buildings agreed to the walkway – which the tenant would pay for. The permit for a simple operational and safety improvement was denied. "Why should we stay here?" asked a company vice president, saying "It was one more thing that turned us sour on California."³⁷ Eventually, the firm moved its entire facility, headquarters and warehouse to Florida and no longer has a presence in California.

While cataloging California's many state and local permitting and licensing requirements is beyond the scope of this paper, we note that the requirements range from "Air Permits," "Furniture or Bedding Manufacturer's License," "Importer's License," "Industrial Activities Storm Water General Permit," "Medical Device Manufacturing License," "Building and Construction Permit," "Burglar Alarm Permit," "Industrial Wastewater Discharge Permit," "Public Health Operating License/Permit," "Underground Storage Tank Permit," among others.³⁸ Each one represents a cost to businesses.

Forming a Limited Liability Corporation (LLC) within California requires an \$800 fee and an annual renewal fee of at least \$800 for the life of the company. LLC formation and renewal fees are lower in every other state. In the states that are in the top five for attracting California companies the initial filing fees are as follows: (1) Texas \$300, (2) Tennessee \$300, (3) Nevada \$425, (4) Florida \$125, and (5) Arizona \$50.³⁹

Amazon recently canceled two significant planned facilities in California simply because of difficulties they had in obtaining building permits. The company announced in 2020 that it planned to invest \$15 million in a facility located in Sonoma County, but exited the site in 2022 after struggling to obtain the necessary county permits.⁴⁰ Also, in 2022, Amazon canceled the opening of a 143,000-square-foot delivery station in Oceanside after it failed to obtain a permit.⁴¹

California company competitors, particularly in foreign nations, are largely free of such regulations and are thus able to undercut American companies' prices for products and services, further eroding our competitiveness and as well as job opportunities.

7. California Labor Costs

Labor costs are high in California, which partially reflects the fact that California's cost of living is so high. A high cost of living means employees will move unless their paychecks compensate them at least in part for higher living costs.

For an employer, California labor costs are higher than elsewhere when comparisons are made of charges that include not only wages and salaries but employer-paid statutory benefits and fringe benefits. Statutory benefits include medical, dental and vision plans; payroll-based taxes; disability and life insurance policies; workers' compensation insurance; and paid time off. Fringe benefits include a variety of payments that include retirement plans, tuition assistance, flexible medical or child-care spending accounts, time off beyond what is statutorily required, provision of an automobile, and non-production bonuses (bonuses not tied to performance).

Labor costs as a percentage of location-sensitive factors depend upon the types and numbers of jobs being relocated, how many employees at their existing compensation will be relocated versus the number of new employees brought aboard at a lower rate and the statutory requirements of the new location.

Table 12 below reflects the findings of a relocation study performed by Spectrum Location Solutions for a company based in the Los Angeles metropolitan area that wanted to move a portion of its headquarters jobs to communities in other states. Doing so would reduce costs, bolster continued growth, and create backup redundancies should a natural disaster or criminal act disrupt the Los Angeles operation. The identities of the Metropolitan Statistical Areas (MSA) are absent from the table out of respect for the sensitivities of the economic development agencies that assisted in providing data. Note that each of the eight areas studied offered labor cost savings over the Los Angeles MSA.

Table 12: Ten-Year Average Labor Costs - Location Sensitive					
(USD \$000)					
MSA	Salary and Wages	Statutory Plans	Other Benefits	Total Labor	Cost Savings Over L.A. MSA
MSA #1	\$5,923	\$484	\$1,739	\$8,146	23.2%
MSA #2	\$6,035	\$501	\$1,679	\$8,215	22.5%
MSA #3	\$6,173	\$502	\$1,667	\$8,342	21.3%
MSA #4	\$6,236	\$489	\$1,734	\$8,459	20.2%
MSA #5	\$6,352	\$510	\$1,715	\$8,577	19.1%
MSA #6	\$6,270	\$572	\$1,744	\$8,586	19.0%
MSA #7	\$6,348	\$510	\$1,782	\$8,640	18.5%
MSA #8	\$6,460	\$517	\$1,797	\$8,774	17.2%

In light of the above, it might be assumed that the company – whose identity remains confidential for nondisclosure purposes– would locate its first out-of-state facility in MSA #1, which offered the greatest labor savings. However, the first new facility was placed in a suburban location in MSA #4 because of the relationships the company has with corporations in that area while still allowing considerable savings. The high-growth company is likely to place its second new facility in MSA #1 and the third may be in MSA #3. No location in California was considered for an expanded facility or added jobs. Eventually, in a likely three-to-five-year time frame, the company will relocate its headquarters out of Los Angeles. While the ultimate location is unclear, the decision has been made that costly West Coast metropolitan areas will not be considered.

California's Overtime Law Burdens Employers & Employees

The Federal Fair Labor Standards Act (FLSA) requires employers to pay non-exempt employees overtime pay at one and one-half times the employee's regular rate of pay *for all hours worked over 40 in a workweek*.⁴²

However, California's overtime law requires that non-exempt employees must receive one and one-half times the regular rate of pay *for all hours worked over 8 hours in any workday* and over 40 hours in the workweek. Eight hours of labor constitutes a day's work, and employment beyond eight hours in any workday requires the employee to be compensated for the overtime.⁴³

Labor unions in California are sufficiently influential that all efforts to modify the overtime law to conform to the Federal standard have failed, despite how it is costly for the obvious reason that any employee working four 10-hour days requires the employer to pay 8 hours of overtime. The company is disadvantaged in facing competitors in other states that are free of such a requirement and especially handicapped by foreign-based competitors who have *no* overtime regulations *and* pay lower wages.

The stipulation is unpopular with employees who increasingly desire a four-day workweek, such as those in two-income households who share child-care or elder-care responsibilities. For many years the provision has motivated companies to exit the state. Gary Sutton stated that he was chairman of Knight Protective Industries when it was bought by Protection One in 1996. The operation moved to Oregon, where four-day work weeks were permitted by the state and as *employees wanted* [emphasis added].⁴⁴

Andrew Puzder of CKE Restaurants says that California employers must pay general managers overtime if they spend 50 percent of their time on non-managerial tasks like working the register if they're short-staffed, "which is what we pay and bonus them to do in just about every other state." Since California managers were filing class-action lawsuits against the company for not being paid overtime, "every retailer in the state has now taken their general managers and made them hourly employees." The managers disliked the change "because they worked all their careers to get off the base to become managers" and paying themselves overtime could hurt their restaurants' bottom lines and chances of a bonus.⁴⁵ Mr. Puzder adds that the company must fire managers in California who don't report their work hours because they present a legal risk. *He tells the fired managers to "go to Tennessee or Texas, where we'll rehire them* [emphasis added] and they'll learn entrepreneurial skills."⁴⁶

Workers' Compensation Costs

Businesses have long been concerned with California's high worker compensation costs. To assess these costs across states, we use data compiled by the Oregon Department of Consumer and Business Services, which has produced a national study of workers' compensation rates biennially since 1986.

The study issues an interstate comparison of premium rates and is based on methods that put states' workers' compensation rates on a comparable basis using a constant set of risk classifications. Also, it relies on classification codes from the National Council on Compensation Insurance (NCCI), which is used in most states.

The states that do not use the NCCI classification system are also included in the study by relying on analogous classes to the NCCI classes, making it possible to compare these states with the states served by NCCI.⁴⁷ When it comes to these costs, California ranks at No. 47, as shown in Table 13, below:

Table 13: Average Workers' Compensation Costs for 2020 by State										
Rank	State	Index Rate		Rank	State	Index Rate		Rank	State	Index Rate
1	North Dakota	\$0.67		17	Mississippi	\$1.20		34	Minnesota	\$1.61
2	Arkansas	\$0.72		18	Colorado	\$1.25		35	Maine	\$1.62
3	Indiana	\$0.77		19	Virginia	\$1.28		36	Georgia	\$1.64
4	West Virginia	\$0.79		20	North Carolina	\$1.31		37	Missouri	\$1.65
5	Utah	\$0.85		21	Alabama	\$1.33		38	Oklahoma	\$1.66
6	Texas	\$0.98		22	New Mexico	\$1.34		39	Montana	\$1.69
7	Oregon	\$1.00		23	New Hampshire	\$1.37		40	Wisconsin	\$1.74
8	Arizona	\$1.05		24	Florida	\$1.41		41	Alaska	\$1.86
9	Nevada	\$1.07		25	Nebraska	\$1.44		42	Rhode Island	\$1.93
10	Tennessee	\$1.09		25	Wyoming	\$1.44		43	Louisiana	\$1.95
11	Ohio	\$1.11		27	Illinois	\$1.46		44	Delaware	\$1.97
12	Kansas	\$1.12		28	South Dakota	\$1.48		45	Connecticut	\$1.99
13	Kentucky	\$1.13		29	Washington	\$1.53		46	Hawaii	\$2.08
14	Maryland	\$1.14		30	Iowa	\$1.54		47	California	\$2.16
14	Michigan	\$1.14		31	Pennsylvania	\$1.55		48	Vermont	\$2.21
16	Massachusetts	\$1.17		32	Idaho	\$1.56		49	New York	\$2.23
				32	South Carolina	\$1.56		50	New Jersey	\$2.52

Source: Oregon Department of Consumer and Business Services

8. California's Business Energy Costs

The U.S. Energy Information Administration ranks California's average energy costs for commercial establishments per kilowatt-hour (kWh) at 48th, with only Alaska, Massachusetts and Hawaii being more expensive, as shown in Table 14.

Table 14: Average Price of Electricity by State to Ultimate Customers -- Commercial										
January 2022 (Cents per Kilowatt-hour)										
Rank	State	Rate		Rank	State	Rate		Rank	State	Rate
1	Texas	7.8		17	West Virginia	9.63		35	Tennessee	11.46
1	Idaho	7.8		19	Ohio	9.75		36	Maryland	11.71
3	Utah	7.83		20	Illinois	9.83		37	Indiana	11.82
4	North Carolina	7.92		20	Delaware	9.83		38	Michigan	12.33
5	Missouri	8.4		22	Arizona	9.99		39	Alabama	12.47
6	Nebraska	8.42		23	Montana	10.09		40	New Jersey	13.32
7	Nevada	8.52		24	New Mexico	10.31		41	Maine	14.05
8	Virginia	8.56		25	Colorado	10.5		42	New York	16.58
9	North Dakota	8.77		26	Kansas	10.56		43	Vermont	16.97
10	Oklahoma	8.78		27	Florida	10.73		44	New Hampshire	17.54
11	Wyoming	9.03		28	Louisiana	10.77		45	Rhode Island	17.7
12	Arkansas	9.11		29	Georgia	10.93		46	Connecticut	17.79
13	Iowa	9.15		30	South Carolina	11.02		47	California	18.58

14	Oregon	9.27		31	Minnesota	11.03		48	Alaska	19.06
15	Washington	9.41		32	Wisconsin	11.31		49	Massachusetts	19.59
16	South Dakota	9.62		32	Kentucky	11.31		50	Hawaii	36.29
17	Pennsylvania	9.63		34	Mississippi	11.34				

Source: U.S. Energy Information Administration, Form EIA-861M (formerly EIA-826), Monthly Electric Power Industry Report. U.S. Energy Information Administration, January, 2022, Table 5.6.A. Average Price of Electricity to Ultimate Customers by End-Use Sector. Note: Utilities and energy service providers may classify commercial and industrial customers based on either NAICS codes or demands or usage falling within specified limits by rate schedule. Totals may not equal the sum of components because of independent rounding.

Companies relocating their headquarters also are cognizant of electrical rates for industrial facilities because headquarters and manufacturing plants sometimes move in unison. Hence, industrial rates can influence a headquarters location decision. California ranks 44th, as shown in Table 15.

Table 15: Average Price of Electricity by State to Ultimate Customers – Industrial										
January 2022 (Cents per Kilowatt-hour)										
Rank	State	Rate		Rank	State	Rate		Rank	State	Rate
1	North Carolina	5.32		18	Nebraska	6.59		35	Michigan	7.99
2	Idaho	5.46		18	Louisiana	6.59		36	Colorado	8.27
3	Washington	5.59		20	Alabama	6.69		37	Florida	8.34
4	Texas	5.72		21	Georgia	6.75		38	Minnesota	8.44
5	Utah	5.88		22	Kentucky	6.88		39	Delaware	8.65
6	Oregon	5.89		23	South Carolina	6.91		40	Maryland	9.43
7	Iowa	6.05		24	North Dakota	6.93		41	Maine	11.07
7	Montana	6.05		25	Missouri	6.98		42	New Jersey	12.22
9	West Virginia	6.1		26	Ohio	7.01		43	Vermont	12.39
9	Oklahoma	6.1		27	Virginia	7.19		44	California	13.83
9	Nevada	6.1		28	Pennsylvania	7.52		45	Connecticut	14.67
12	New Mexico	6.17		29	New York	7.55		46	New Hampshire	16
13	Tennessee	6.28		30	Illinois	7.76		47	Massachusetts	17.49
14	Arkansas	6.31		31	Indiana	7.82		48	Alaska	17.8
15	Wyoming	6.34		32	Wisconsin	7.84		49	Rhode Island	18.6
16	Arizona	6.5		33	Kansas	7.87		50	Hawaii	32.14
17	Mississippi	6.54		34	South Dakota	7.95				

Source: U.S. Energy Information Administration, Form EIA-861M (formerly EIA-826), Monthly Electric Power Industry Report. U.S. Energy Information Administration, January, 2022, Table 5.6.A. Average Price of Electricity to Ultimate Customers by End-Use Sector. Note: Utilities and energy service providers may classify commercial and industrial customers based on either NAICS codes or demands or usage falling within specified limits by rate schedule. Totals may not equal the sum of components because of independent rounding.

Utility Rate Increases on the Horizon

California electricity customers are likely to see significant energy cost increases in the future. All three of the state’s investor-owned utilities – Pacific Gas & Electric, Southern California Edison and San Diego Gas & Electric – have raised rates within the last year and have more planned increases. PG&E's new rate plan effective March 1, 2022 raised monthly electricity rates by more than 9 percent for the average residential customer, 10 percent for small businesses, and larger increases for industrial facilities, for an average increase of 12.69% across PG&E’s entire

customer base.⁴⁸ The California Public Utilities Commission reports that PG&E is proposing a 22 percent rate hike from 2023 to 2026 in addition to a 22 percent rate hike already planned for 2022.⁴⁹

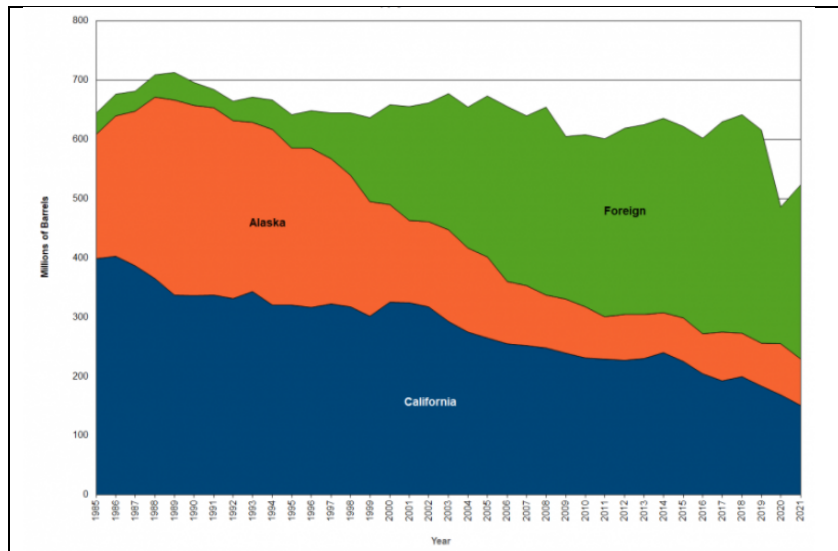
Southern California Edison in April 2020 increased its rates by approximately 7 percent overall. In 2021, SCE requested an additional residential rate increase of 14 percent, while commercial rates are estimated to rise between 9 and 11 percent.⁵⁰ It is plausible to expect rates to also surge higher for electricity from the Los Angeles Department of Water and Power as well as San Diego Gas and Electric as California continues to reduce its electrical generating capacity.

Despite rising prices and power shortages, California is planning to dismantle several hydroelectric dams in the northern part of the state and preserve environmental rules that make it nearly impossible to build new power plants – even the least harmful natural gas facilities, which emit less than half as much carbon as coal.

As California faced a record heat wave and the potential of power outages in September 2022, Gov. Newsom signed into law a measure to allow California’s last nuclear plant, Diablo Canyon, to stay open past 2025 – its long-anticipated closure date – and will remain operating until 2030 at the latest. It is the state's last operating nuclear plant and accounts for approximately 8.5% of all power generated in the state. While that is a sensible measure to take during a critical time, it falls short of a comprehensive plan to provide adequate power to California over the upcoming decades, particularly in light of California’s recent decision to ban sales of new gasoline powered cars in 2035.⁵¹

Overall, California’s long-standing production-limiting actions, including more reliance on less-reliable solar and wind energy, mean an increasing amount of electricity must be imported from other states at considerable cost. Moreover, California has become increasingly dependent on foreign energy, which raises potential risks related to geopolitical issues. Since 1985, California has reduced its oil production by 60 percent but has seen only a modest decrease in demand of 4.4 percent.⁵² California’s dependency on crude oil imports from foreign countries increased from 5 percent in 1992 to 58 percent today, as reflected in a recent chart issued by the California Energy Commission, shown below.⁵³

Figure 1: Crude Oil Supply Sources to California Refineries



9. Quality of Life in California

A recent UCSD survey shows respondents indicating that out-of-state job prospects, cost of living, housing, overall quality of life, taxes, schools, and the quality of government services, the majority would be better outside of California. This includes roughly 2/3 believing their overall quality of life would be better out of California, 62 percent believing schools and government would be better, and 85 percent believing housing costs and other living costs would be better outside of California. These detailed answers dovetail with the statistics and facts about California’s cost of living, housing, school quality, quality of governance, and job opportunities.⁵⁴

Last year, Texas gained the largest number of residents, nearly 374,000, according to U.S. Census Bureau 2020 population estimates.⁵⁵ A major reason in our view is that the quality of life in Texas has now surpassed California’s, as is now true in many other states. Even California’s mild weather and natural beauty aren’t enough to stem the increasing outflow of businesses and their employees.

When considering quality-of-life factors, numerous considerations come into play including individual income tax rates, cost of living and housing affordability. Purely local factors are excluded from this study because conditions vary greatly among counties and municipalities – namely quality of schools, commuting times, recreational opportunities, social and religious organizations and crime rates.

Unaffordable Housing

One reason for the low quality-of-life ranking is unaffordable housing. One newspaper headline read, “One symptom of California’s housing crisis? State agency says someone making \$200K deserves house-buying help.”⁵⁶ That headline appeared three years ago, and the situation has markedly worsened.

A Census Bureau survey issued in December 2020 asked people who relocated what the main reason was for their decision, and the most choices in 2019-2020, ranked according to

popularity, were (1) “wanted newer/better/larger house or apartment,” followed by (2) “new job or job transfer,” (3) “to establish own household,” (4) “other family reason,” (5) “wanted to own home, not rent,” and (6) “wanted cheaper housing.”⁵⁷ While Covid-19 influenced some of the factors, it’s nonetheless true that such motivations appeared long before the pandemic.

When comparing markets, affordability requires consideration of both house *prices* and *incomes*. The Demographia International Housing Affordability Survey of 2022 sheds light on the topic by examining the “Median Multiple,” which is the median house price divided by the median household income of the same area. The process brings about a reliable, easily understood, and essential indicator for measuring residential markets. The methodology underpins the work of Wendell Cox of Demographia and his housing studies issued over the last 18 years. The Median Multiple indicator is particularly useful to measure middle-income housing affordability and thus excludes the influence of higher income and luxury housing.

The 2022 edition rates affordability for the third quarter of 2021. Among its findings are that the year 2021 involved material setbacks, mostly due to the impact of Covid-19, which Cox defines as The Pandemic Demand Shock: “There has been an unprecedented deterioration in housing affordability during the pandemic. The number of severely unaffordable markets rose 60% in 2021 compared to 2019, the last pre-pandemic year.”⁵⁸

Housing costs continued to rise in 2022 as the supply of homes for sale continued to fall. That inventory at the end of January slid to the lowest level on record since the National Association of Realtors began tracking total existing-home inventory in 1999. In February, 2022, the typical U.S. home is worth \$331,533, a worrying 32.4 percent increase from February 2020. In the past year alone, the typical home value rose 20.3 percent.⁵⁹ Also, by March, 2022 mortgage rates were rising sharply,⁶⁰ another challenge for buyers in all markets.

Virtually all of the markets with severely unaffordable housing have urban containment policies that strictly restrict building on urban peripheries. Since California shows no signs of easing such anti-suburban policies, house prices will certainly continue to escalate in the state. That is happening as median prices have increased in the short time since the Demographia study was issued. For example, in mid-July, 2021, a newspaper headline said, “‘It’s crazy’: LA County home sales soar 69%; median rises to \$790,000.” The story added, “At \$680,000, the region’s median home price was up \$125,000 in the 12 months ending in June, the second-biggest year-over-year gain in CoreLogic records.”⁶¹

Despite recent increases, the Demographia study is worth examining. Middle-income housing affordability is rated in four categories, ranging from the most affordable (“Affordable”) to the least affordable (“Severely unaffordable”), as indicated in Table 16, below:

Housing Affordability Rating	Median Multiple
Affordable	3.0 and under
Moderately Unaffordable	3.1 to 4.0
Seriously Unaffordable	4.1 to 5.0
Severely Unaffordable	5.1 & Over
Median multiple: Median house price divided by median household income	

Of the 56 metropolitan areas studied in the United States, the most severely unaffordable areas include 7 in California with Fresno being the “least of the worst,” followed by Sacramento, Riverside-San Bernardino, San Diego, Los Angeles and San Francisco with San Jose holding the highest-cost ranking, as shown in Table 17.⁶²

Median Multiple (MM) Based on Median House Price/Median Household Income for Q3 2021									
Rank	Metropolitan Market	MM	Rank	Metropolitan Market	MM	Rank	Metropolitan Market	MM	MM
1	Pittsburgh, PA	2.7	20	Atlanta, GA	4.5	39	Austin, TX	6.1	
2	Oklahoma City, OK	3.3	20	Chicago, IL-IN-WI	4.5	40	Salt Lake City, UT	6.2	
2	Rochester, NY	3.3	20	Houston, TX	4.5	41	Phoenix, AZ	6.3	
4	St. Louis, MO-IL	3.6	23	Memphis, TN-MS-AR	4.6	42	Fresno, CA	6.5	
5	Cleveland, OH	3.7	24	Birmingham, AL	4.7	43	Las Vegas, NV	6.6	
6	Cincinnati, OH-KY-IN	3.8	25	Dallas-Fort Worth, TX	4.8	44	Sacramento, CA	6.7	
7	Buffalo, NY	3.9	25	San Antonio, TX	4.8	45	Boston, MA-NH	7	
8	Kansas City, MO-KS	4	27	New Orleans, LA	4.9	45	Portland, OR-WA	7	
8	Louisville, KY-IN	4	28	Nashville, TN	5	47	New York, NY-NJ-PA	7.1	
8	Tulsa, OK	4	28	Raleigh, NC	5	48	Denver, CO	7.2	
11	Detroit, MI	4.1	30	Jacksonville, FL	5.1	49	Riverside-San Bernardino, CA	7.4	
11	Hartford, CT	4.1	30	Milwaukee, WI	5.1	50	Seattle, WA	7.5	
13	Grand Rapids, MI	4.2	32	Richmond, VA	5.2	51	Miami, FL	8.1	
13	Virginia Beach-Norfolk, VA-NC	4.2	32	Washington, DC-VA-MD-WV	5.2	52	San Diego, CA	10.1	
15	Columbus, OH	4.3	34	Charlotte, NC-SC	5.5	53	Los Angeles, CA	10.7	
15	Indianapolis, IN	4.3	35	Orlando, FL	5.9	54	San Francisco, CA	11.8	
15	Minneapolis-St. Paul, MN-WI	4.3	35	Providence, RI-MA	5.9	55	Honolulu, HI	12	
18	Baltimore, MD	4.4	35	Tampa-St. Petersburg, FL	5.9	56	San Jose, CA	12.6	
18	Philadelphia, PA-NJ-DE-MD	4.4	38	Tucson, AZ	6				

Source: Demographia International Housing Affordability Survey of 2022

Cost of Living – Regional Price Parities

A reliable way of identifying the relative cost of living between locations is to compare their Regional Price Parities (RPP). The U.S. Bureau of Economic Analysis defines RPPs as a measurement of the differences in price levels across states and metropolitan areas for a given year and are expressed as a percentage of the overall national price level.⁶³

In short, RPP is a weighted average of the price level of goods and services for the average consumer in one geographic region compared to all other regions in the nation. Hence, the RPP for California at 110.4 means that prices in the state average are 10.4 percent higher than the U.S. average. It is likely that California’s cost disadvantage is understated because in the 2020-2022 period the State has had higher cost increases for housing, utilities and gasoline than other states have experienced.

When a company is considering competing sites in California and another state to locate a facility – and is concerned about the cost-of-living for employees – the RPP difference would lend weight to opting for a less-expensive state. Also relevant is that employees in a high-cost state expect higher compensation from employers.

The RPPs cover all consumption goods and services, including rents. California’s ranking at No. 48 means that the cost of living is higher only in New Jersey and Hawaii, as shown in Table 18, below:

Rank	U.S. = 100		Rank	U.S. = 100		Rank	U.S. = 100	
1	Mississippi	87.8	17	Montana	92.4	35	Illinois	100.5
2	West Virginia	88.0	19	Indiana	92.5	36	Florida	100.7
3	Arkansas	89.2	19	Missouri	92.5	37	Virginia	101.0
4	Alabama	89.3	21	Louisiana	92.7	38	Rhode Island	101.8
5	Kentucky	89.8	22	Nebraska	92.9	39	Oregon	102.6
6	Iowa	91.0	23	Wisconsin	93.2	40	Colorado	102.9
7	Idaho	91.2	24	Michigan	94.0	41	Alaska	103.2
8	Oklahoma	91.3	25	Georgia	94.5	42	Connecticut	103.4
9	South Dakota	91.5	26	Utah	95.3	43	New Hampshire	103.7
10	New Mexico	91.6	27	Maine	96.8	44	Maryland	106.5
10	South Carolina	91.6	28	Nevada	97.1	45	Massachusetts	107.4
12	Ohio	91.7	29	Pennsylvania	97.6	45	Washington	107.4
13	North Carolina	91.8	30	Delaware	97.9	47	New York	110.2
14	North Dakota	92.0	31	Minnesota	98.6	48	California	110.4
15	Tennessee	92.2	32	Arizona	99.1	49	New Jersey	111.2
16	Wyoming	92.3	33	Vermont	99.3	50	Hawaii	112.0
17	Kansas	92.4	34	Texas	99.5			

Latest available data from the U.S. Dept. of Commerce, Bureau of Economic Analysis, updated on Dec. 15, 2020, which is for 2019.

Economic Outlook

To determine economic outlooks, a helpful analysis is the Economic Outlook Ranking by the American Legislative Exchange Council. The forecast is based on a state’s standing in 15 policy variables and how each is influenced by lawmakers. A key observation is that “Generally, states that spend less – especially on income transfer programs – and states that tax less – particularly on productive activities such as working or investing – experience higher growth rates than states that tax and spend more.”⁶⁴ California ranks No. 48, as shown in Table 19.

Rank	State	Rank	State	Rank	State
1	Utah	17	Michigan	34	Kentucky
2	North Carolina	18	New Hampshire	35	Connecticut
3	Arizona	19	Ohio	36	Nebraska
4	Oklahoma	20	Louisiana	37	Pennsylvania
5	Idaho	21	Alaska	38	New Mexico
6	Nevada	22	Colorado	39	Washington
7	Indiana	23	Alabama	40	Rhode Island
8	Florida	24	Virginia	41	Oregon
9	North Dakota	25	West Virginia	42	Maryland
10	Wyoming	26	South Carolina	43	Hawaii
11	Texas	27	Mississippi	44	Maine

12	South Dakota		28	Kansas		45	Illinois
13	Tennessee		29	Missouri		46	Minnesota
14	Wisconsin		30	Delaware		47	Vermont
15	Georgia		31	Montana		48	California
16	Arkansas		32	Iowa		49	New Jersey
			33	Massachusetts		50	New York
Source: Rich States Poor States, 2022 Edition							

10. California Spends Heavily On Temporary Incentives Instead of Reforming Taxes

Two divergent views are clearly illustrated by examining statements from California and Ohio elected officials.

In California, Gov. Gavin Newsom told those attending the Bay Area Council’s 2021 Pacific Summit that “We need to step up our game – time to be more damn competitive.” The legislative package that followed his statement showed that an increase in economic incentives – some of dubious value to taxpayers – will demonstrate how the state will be more aggressive in fighting the overtures companies are receiving from other states.⁶⁵

In Ohio, Lt. Gov. Jon Husted said in July 2021 that “Fifteen years ago we began reforming our tax plan – we eliminated the corporate franchise tax ... eliminated the death tax — we went from a high-tax state to a lower-tax state. We absolutely do see it as a time to compete. Capital will ultimately go where it can be the most appreciated.”⁶⁶

Ohio has a more rational approach to offering incentives through lower costs because capital indeed goes where it is welcome and stays where it is well treated. Indeed, Ohio is gaining popularity as the place where more companies call home. As noted elsewhere in this report, other states have joined Ohio in lowering taxes.

California’s Generous and Growing Economic Incentives

Gov. Newsom’s strategy is not to reduce taxes but to increase incentives offered to companies, thus increasing taxpayer burdens. The public and the media were surprised in mid-July, 2021 when news broke that California leaders inserted nearly \$280 million into the state budget to benefit the construction of a new A’s baseball stadium in Oakland. According to Politico, which used the phrase “secret budget item” in its headline, “Gov. Gavin Newsom and state lawmakers quietly approved the funds weeks ago, and the money has stayed under the radar ahead of a pivotal Oakland City Council vote on the stadium’s future – a decision that the A’s and Major League Baseball insist could determine whether the team remains after 53 years in the city.”⁶⁷

While California politicians are generous with taxpayers’ dollars to help the Oakland As, they do more than that by annually approving generous economic incentives to lure companies to the state or retain existing companies. Remarkably, they do so while sometimes suggesting that other states are being “unfair” by offering economic incentives to lure companies to their locations.

Yet California itself offers a plethora of economic incentives to a wide scope of industries. In June 2021, an economic development representative for Sacramento boasted, “No other state can match our demand, talent and *financial incentives* [emphasis added].”⁶⁸ Perhaps the state’s most

well-known program is the California Competes Tax Credit (CCTC), an income tax credit available to businesses that want to locate in California or remain in the state. Tax credit agreements are negotiated by the Governor’s Office of Business and Economic Development (GO-Biz). The incentives are comprehensive in that they are available for many industries including advanced manufacturing, agricultural, biotech, energy, and environment, film and television, food processors, manufacturing and transportation.⁶⁹ Since the start of the Newsom Administration in January 2019, GO-Biz awarded 147 businesses a total of \$593,844,974 in California Competes Tax Credits.⁷⁰

Overall, during the nearly 17-month period leading up to November 4, 2021, the state has granted \$437 million in tax credits, as shown in Table 20 – an average of approximately \$25.7 million per month. Only credits worth \$1 million or more are calculated; the number would be substantially higher if smaller credits were included.⁷¹

Table 20: California Tax-Credit Incentive Awards by Company			
Approved June 18, 2020 to Nov. 4, 2021			
Name	(\$ Millions)	Name	(\$ Millions)
Microsoft Corp.	\$35.0	Infinity Energy, Inc.	\$2.5
Relativity Space, Inc.	\$30.0	Polypeptide Laboratories, Inc.	\$2.5
Lockheed Martin Corp.	\$29.8	Fortress North America, Inc.	\$2.4
Stripe, Inc.	\$28.5	Ernie Ball, Inc.	\$2.0
Better Holdco, Inc.	\$25.0	BFTV LLC	\$2.0
EnerVenue	\$25.0	Kubota Tractor Corp.	\$2.0
Sorrento Therapeutics, Inc.	\$25.0	CIVIC Financial Services LLC	\$1.8
VinFast Dealer S.F. #1 LLC	\$20.5	Azoff Music Company LLC	\$1.8
Cue Health, Inc.	\$20.0	AgLand Renewables LLC	\$1.7
Cepheid	\$20.0	Braze, Inc.	\$1.5
NBCUniversal LLC	\$20.0	Juvo Plus, Inc.	\$1.5
Atieva USA, Inc.	\$18.0	Sazerac Company, Inc.	\$1.5
MP Materials Corp.	\$14.8	L3 Applied Technologies, Inc.	\$1.5
Zoom Video	\$12.5	Piercan USA, Inc.	\$1.5
In-N-Out Burgers	\$7.0	Openpath Security, Inc.	\$1.4
FUJIFILM Irvine Scientific Inc	\$7.0	HCL America, Inc.	\$1.4
CVB, Inc.	\$6.5	AS America, Inc.	\$1.2
American Honda Finance Corp.	\$5.2	indieDwell So. California, Inc.	\$1.2
Ampere Computing LLC	\$5.0	Sierra Agra USA LLC	\$1.2
Better Nutritionals LLC	\$5.0	J. Harris Ind. Water Treatment	\$1.2
BW Industries, Inc.	\$5.0	Swift Media Entertainment, Inc.	\$1.1
CTC Global Corp.	\$5.0	Creative Packaging Co.	\$1.1
Goldpoint Homes LLC	\$5.0	The Pape Group, Inc.	\$1.1
Dreyer's Grand Ice Cream, Inc.	\$3.6	Advantest Test Solutions, Inc.	\$1.0
EnergySource Minerals LLC	\$3.5	RDM Industries, Inc.	\$1.0
Nongshim Holdings USA, Inc.	\$3.5	Steeped, Inc.	\$1.0
5th Axis, Inc	\$3.5	ByFusion Global, Inc.	\$1.0
Diamond Wipes International, Inc.	\$3.2	Cokeva, Inc.	\$1.0
Nurix Therapeutics, Inc	\$3.0	Total for \$1 million-plus grants	\$437.0

Source: California Governor's Office of Business and Economic Development (GO-Biz)

California’s tax-credit incentives program has also operated under previous Governors. To illustrate, Table 21 provides a small sampling of recipients in 2018 during Gov. Jerry Brown’s Administration.

Company Name	(\$ Millions)	Company Name	(\$ Millions)
Dreamworks Animation LLC	\$10.0	California Natural Products	\$2.0
Katerra, Inc.	\$10.0	Information Gov. Solutions LLC	\$1.5
US Foods, Inc.	\$7.0	Lance Camper Mfg. Corp.	\$1.5
MightyHive, Inc.	\$5.7	Our Babylon LLC	\$1.5
Niantic, Inc.	\$3.0	Chawk Technology Intl., Inc.	\$1.2
Argo AI LLC	\$2.2	AirMap, Inc.	\$1.0
Ontic Engineering & Manufacturing	\$2.0	Conduent Commercial Sol.	\$1.0

Source: “California Competes Tax Credit Program,” GO-BIZ, June 18, 2018 -- a small sample of prior awards by Gov. Jerry Brown.

Summary of California’s Numerous Economic Incentives

Besides Tax Credits, other California incentives include Tax Exemptions, Bonds, Research Credits, Sales and Use Tax Exemption for Manufacturing, Advanced Transportation Tax Exemption, Loans and Utility Discounts. The sponsoring agencies are the California Air Resources Board, California Employment Training Panel, California Energy Commission, California Film Commission, Department of General Services, Employment Development Department, and Franchise Tax Board.

California’s Explosion of Economic Incentives in 2021

All of that has been insufficient to stem business flight. Gov. Newsom’s “step up our game” comment reflects increasing the economic incentives being offered to companies despite the state’s aforementioned generous and widespread incentives. The legislature passed and Gov. Newsom signed in July 2021 a bill that establishes a new incentive – the California Competes Grant Program. The grants are tied to job creation in a program authorized to last until Jan. 1, 2030.⁷² Its initial funding is \$150 million,⁷³ which is likely to grow based on experience with incentive programs.

Additionally, a budget plan was to add \$30 million to the state’s film and television tax credits program,⁷⁴ to boost the existing \$330 million in tax credits to \$360 million annually.⁷⁵ Even those amounts weren’t enough for the legislature, which in July 2021 added \$90 million for each of the next two fiscal years, meaning that the program will have \$420 million available in 2021-22 and 2022-23. It also creates a \$150 million fund to encourage the development of sound stages for streaming productions. The state Legislative Analyst’s Office, “determined that about one-third of the projects receiving a credit probably would have been made in California irrespective of receiving a credit.”⁷⁶

All are part of a program that comprises an unprecedented 43 grant or incentive programs.⁷⁷ Not all are designed for businesses; some are for an array of recipients including community and arts groups and non-profit organizations. All of that and more is part of headline-grabbing legislation

– considering the nature of the spending and the overall \$100 billion price tag – that Gov. Newsom signed into law.⁷⁸ The overall California budget for 2021-2022 totaled \$262.6 billion.⁷⁹

Los Angeles Incentives

County and municipal government economic incentives are prolific throughout California. For example, within the *County* of Los Angeles, 88 cities and the county offer a plethora of incentives, which vary by jurisdiction, such as New Business Tax Holiday, Utility Infrastructure Loan Program, Use Tax Rebate, Solar Incentive, Partial Retail Sales Tax Return, R&D Incentive, Access to Tax-Exempt Private Activity Bonds, New Employment Tax Credit, Fee Waivers and Low Interest loans⁸⁰

The *City* of Los Angeles provides enormous support to the film industry, offering reduced tax rates for productions, special tax breaks for creative talent, free filming at city facilities, and streamlined road closure procedures.⁸¹

San Francisco Incentives

San Francisco provided Twitter an exceptionally generous incentive to remain in the city, one that the Securities and Exchange Commission estimated could be valued at \$56 million. The move came after Twitter stated it would relocate because of a payroll tax. The company said with plans to double its staff, it couldn't justify the cost. San Francisco waived the payroll tax for all new jobs Twitter creates for six years.⁸²

Orange County Incentives

An incentive resulted in a reduced tax income for Anaheim as the Walt Disney Co. completed an expansion of its theme park in 2017 – but only after receiving city council approval for a 30-year ban on a ticket tax. The arrangement extended a ban on ticket taxes that started in 1996 and had been set to expire in 2016.⁸³

Without incentives being offered by California and its local jurisdictions, the occurrences of California headquarters departures would likely be significantly higher than what is reflected in this study.

Companies Move to States Without Incentives Being Available

Motivations to invest outside of California virtually always exist *before* potential incentives are understood. Deciphering incentives for a company is a significant undertaking considering that statutes, policies, and application procedures vary widely among the 3,141 counties and county equivalents in the 50 States and the District of Columbia.⁸⁴

The availability of economic incentives is sometimes irrelevant to a company's location decision. It has been the experience of Spectrum Location Solutions that economic incentives rank lower than the area's tax and regulatory framework, workforce costs and availability, accessibility to major highways, and lifestyle factors.

Quality-of-life factors have become increasingly important considering the effects on the workplace because of Covid-19. Companies are doing more than offering healthy work environments that include expanded office layouts. There also is an increase in open-minded policies for remote employees, and those workers are intensifying their analysis of lifestyle factors in distant and out-of-state communities.

California companies have relocated completely or launched an expansion elsewhere without seeking incentives. In many instances, companies with 50 or fewer jobs won't qualify for incentives (depending upon compensation levels). A Los Angeles company recently relocated 42 positions to an out-of-state location⁸⁵ and did so without receiving a single incentive.

Examples of companies that invested in other locations for facilities (not just headquarters) *without* the benefit of economic incentives are shown below. The following list is only a sampling of such relocations:

- C&S Propeller relocated its headquarters from Los Angeles to Fort Worth, Texas, without any economic incentives.⁸⁶
- Cinépolis USA relocated its headquarters from Los Angeles to Addison, near Dallas. The company did not receive any economic incentives for the move but rather chose Addison based on its amenities.⁸⁷
- ZipRecruiter selected Tempe, Arizona to expand instead of Santa Monica. Tempe didn't provide any incentives to the company.⁸⁸
- Capstak considered San Francisco for its headquarters, but selected Reno, which was a "no-brainer." "We have not asked for any incentives nor have we received any," co-founder Michael Schnabel said.⁸⁹

11. Why Headquarters Departures Are Substantially Underreported

The report is based on out-of-state headquarters relocations predominately by large and mid-sized companies because of their high profiles or whose moves receive media attention because they are publicly held companies required to issue "material disclosures" to shareholders and the Securities and Exchange Commission. Privately held companies and smaller companies are in a better position to avoid publicity about a relocation, resulting in little public awareness of companies that comprise the biggest single category of relocations.

It is certain that other headquarters relocations have occurred in the study period but have yet to be discovered. Experience shows that some will become public knowledge in the future, sometimes several years later. Therefore, California's headquarters losses are understated in this report. Moreover, no Spectrum Location Solutions clients are included in the calculations for this report because of non-disclosure agreements.

Here is an example of how one prominent company's headquarters quietly left California: Thomas Brothers Maps was a legacy and respected California institution. The company produced high-quality, detailed maps that covered the state's cities long before online maps arrived. It was founded in Oakland in 1915, moved to Los Angeles in the 1940s and relocated to Irvine in 1980.⁹⁰ After Rand McNally acquired the company it began transferring work to Skokie, Illinois and Bangalore, India. The headcount went from 200 people to about 20 at the time the headquarters closed.

Despite a high profile, the company's headquarters disappeared from Irvine in 2010 with no public notice – that is until someone tipped off the news media about the main office being empty and available for leasing. That led to the *Orange County Register* publishing a story about the company's departure – the only article ever to appear anywhere in the state.⁹¹ Without that phone alert, the event would probably still be unknown today.

This illustrates how smaller companies – which comprise the biggest single category of relocations – can move their headquarters out of California so quietly and skillfully that the event can remain unknown by the news media and the public.

12. Summary and Conclusion

This paper has documented California business headquarters relocations from January 1, 2018 through Dec. 31, 2021. The data presented here show that headquarter relocations are accelerating substantially, with no sign of reversing course, reflecting a California business environment that ranks near the bottom of all U.S. states in many dimensions, including taxes, regulations, litigation costs, labor costs, energy and utility costs, and employee cost of living.

These trends have been going on for years, yet political leaders have not shown they are willing to make changes to improve California's business climate. Dale Buss is a writer for *Chief Executive* magazine and an astute observer of business conditions among the states. In mid-2020, he observed that “As long as California can count on spectacular growth from tech companies in Silicon Valley and movie studios in Hollywood, don't expect the state to reverse any of its attitudes and policies that chase many companies away.”⁹²

Warnings about California's deteriorating business environment have been issued for years. A decade ago, the *Orange County Register* observed: “Quite clearly, the exodus of businesses out of California continues. It makes sense for companies to reduce their California footprint considering the ample supply of attractive, lower-cost alternative locations. Unless California reduces its hostility toward business, we will see more commercial enterprises seeking friendlier locations in which to relocate entirely or at least place facilities there that used to be located here.”⁹³

Later, when Toyota Motor Corp. began relocating its Torrance headquarters to Plano, Texas, Gov. Brown revealed his aloofness towards business challenges by saying, “We've got a few problems, we have lots of little burdens and regulations and taxes, but smart people figure out how to make it.”⁹⁴ *The Wall Street Journal* responded: “California's problem is that smart people have figured out they can make it better elsewhere.”⁹⁵

Gov. Newsom recently dismissed claims that California is unfriendly to business by pointing to “all the new billionaires” created by initial public offerings and noting that its richest people are “doing pretty damn well.” He said that in early 2021, despite evidence of company exits and the reasons they cite for their moves. He doubled down by saying, “For those who have counted California out, eat your heart out.” His statement should not be surprising because back in July 2011 he released a plan to “jumpstart economic development” that included consolidating the state's efforts, re-establishing a presence in China, and removing numerous onerous regulations

and misaligned policies. Such steps were taken to varying degrees but failed to stop business migrations out of the state.⁹⁶

In a prescient commentary published more than six years ago, Chapman University's Joel Kotkin wrote:

Here's the bitter reality for business in much of California: there's no cavalry riding to rescue you from the state's regulatory and tax vise. The voters in California have spoken, and with a definitive, distinctive twist, turned against any suggestion of reform and confirmed the continued domination of the state by public employee unions, environmental activists and their crony capitalist allies. You are on your own, Southern California businesses, and can count on very little help, and, likely, much mischief, from Sacramento and various lower orders of government.⁹⁷

Also, people are joining companies in leaving California. Most recently, David L. Bahnsen, a Newport Beach-based financial advisor, author, and observer of California trends, addressed the "basic facts" of the state's people exodus, writing:

A lack of cultural cohesion is not just "not a problem" for many on the left, but an explicit aim. California is a mess economically, fiscally, socially, educationally, and culturally, but in each category there exist sufficient can-kicking options, or at least prima facie "spin" opportunities, to soften the realities of what is taking place in the Golden State. But there is one basic, objective reality that is impossible to spin away – people are leaving in droves.⁹⁸

The data reported here highlight why California has been losing businesses and people. We see little evidence that policies will be reformed to address these declines, and that the more likely prediction is that California's business environment will continue to worsen.

Appendix A: Company Headquarters that Left California Jan 1, 2018 through Dec. 31, 2021

Company Headquarters that Left California from Jan 1, 2018 through Dec. 31, 2021		
Company	California Location	Destination Location
240 Tech LLC (HQ2)	Orange County > Santa Ana	Texas > Cedar Park
4M Analytics (U-turn from Calif.)	Santa Clara > Palo Alto	Texas > Austin
8VC	Santa Clara > Palo Alto	Texas > Austin
Aatomy	San Francisco > San Francisco	Texas > Houston
Abbyss Creations	San Diego > San Marcos	Nevada > Las Vegas
Academy of Country Music	Los Angeles > Los Angeles	Tennessee > Nashville
Advanex Americas	Orange County > Cypress	Tennessee > White House
Advocado (U-turn from Calif.)	Los Angeles > Los Angeles	Missouri > St. Louis
AECOM	Los Angeles > Los Angeles	Texas > Dallas
AEND Industries	Orange County > Huntington Beach	Texas > Hutto
Aercap U.S. Global Aviation LLC	Los Angeles > Los Angeles	Florida > Miami
Aerojet-Rocketdyne Def. Unit	Sacramento > Sacramento	Alabama > Huntsville
Aeromax Industries, Inc.	Los Angeles > Los Angeles	Texas > Fort Worth
Aerospace & Marine International	Santa Clara > San Jose	Oklahoma > Norman
AeroVironment, Inc.	Ventura > Simi Valley	Virginia > Arlington
AFC Finishing Systems	Butte > Oroville	Idaho > Weiser
Aging 2.0	San Francisco > San Francisco	Kentucky > Louisville
AHV Communities	Orange County > Costa Mesa	Texas > San Antonio
Airbrake Technologies	San Francisco > San Francisco	Texas > Austin
Albany Farms	Los Angeles > Los Angeles	South Dakota > Belle Fourche
Alfresco Software Inc.	San Mateo > San Mateo	Massachusetts > Wellesley
Align Technology	Santa Clara > San Jose	Arizona > Tempe
Alpha Paw LLC	San Francisco > San Francisco	Texas > Austin
Alpine Electronics	Los Angeles > Torrance	Michigan > Auburn Hills
Alto Pharmacy (HQ2)	San Francisco > San Francisco	Colorado > Denver
Amazing Magnets	Orange County > Anaheim	Texas > Round Rock
American Metal Bearing Co.	Orange County > Garden Grove	Florida > Freeport
American Technology Network (ATN)	San Mateo > South San Francisco	Florida > Doral
Andamiro USA Corp.	Los Angeles > Gardena	Texas > Irving
Anomalie	San Francisco > San Francisco	Arizona > Scottsdale
Anpac Bio-Medical	Sacramento > Sacramento	Pennsylvania > Philadelphia
Aqua Metals, Inc.	Alameda > Alameda	Nevada > Reno
Arctic Wolf Networks Inc.	Santa Clara > Sunnyvale	Minnesota > Eden Prairie
Arcturus Aerospace	Ventura > Oxnard	Arkansas > Little Rock
Artificial Intelligence Tech. (AITX)	Orange County > Irvine	Michigan > Ferndale
ASGN Inc.	Los Angeles > Calabasas	Virginia > Henrico County
Assertio Therapeutics fka Depomed	Alameda > Newark	Illinois > Lake Forest
Astronics Test Systems	Orange > Irvine	Florida > Orlando
Astura Medical	San Diego > Carlsbad	Texas > Irving
AtScale	San Mateo > San Mateo	Massachusetts > Boston
Aurora (combined two HQs)	Santa Clara > Mountain View	Pennsylvania > Pittsburgh
Aviat Networks Inc.	Santa Clara > Milpitas	Texas > Austin
Axiom Memory Solutions, Inc.	Orange County > Irvine	Texas > Austin
Barrys fka Barry's Bootcamp	Los Angeles > Los Angeles	Florida > Miami
Baswood Inc.	Santa Barbara > Santa Barbara	Texas > Allen
Bechtel Group	San Francisco > San Francisco	Virginia > Reston
Bedrock Capital Partners LLC	San Francisco > San Francisco	Texas > Austin
Bedrock Sandals	Contra Costa > Richmond	Montana > Missoula
BH North America	Los Angeles > Los Angeles	Missouri > St. Charles

Biolq	Santa Barbara > Santa Barbara	Georgia > Atlanta
Blue Box Air LLC	Los Angeles > Gardena	Texas > Dallas
Blue Buffalo (U-Turn)	Several California Communities	Arizona > Goodyear
Bold Patriot Brewing Co.	Riverside > Norco	Tennessee > Nashville
Bonelli Doors + Windows	San Francisco > San Francisco	Arizona > Mesa
BroadSpot Imaging Corp.	Alameda > Emeryville	New Mexico > Albuquerque
Cade Medical	Riverside > Temecula	Arizona > Phoenix
Callaway / Jack Wolfskin	San Diego > Carlsbad	Utah > Salt Lake City
Cangshan Cutlery	San Bernardino > Chino	Texas > Leander
Canoo	Los Angeles > Torrance	Texas > Justin
Caring.com	San Mateo > San Mateo	North Carolina > Charlotte
CBRE Group	Los Angeles > Los Angeles	Texas > Dallas
Charles Schwab	San Francisco > San Francisco	Texas > Westlake
Chip 1 Exchange	Orange County > Lake Forest	Texas > Fort Worth
Chubbies Shorts Co.	San Francisco > San Francisco	Texas > Austin
Cicero Institute	San Francisco > San Francisco	Texas > Austin
Circa of America	San Francisco > San Francisco	Georgia > Atlanta
CKE (Carl's Jr.)	Santa Barbara > Carpinteria	Tennessee > Franklin
CloudBees	Santa Clara > San Jose	North Carolina > Raleigh
CodeBoxx	Marin > Sausalito	Florida > St. Petersburg
Cognito	Santa Clara > Palo Alto	Oregon > Sisters
Cohesity	Los Angeles > Westlake Village	Texas > Dallas
Colony Capital	Los Angeles > Los Angeles	Florida > Boca Raton
Conner Logistics	Fresno > Fresno	Kentucky > Somerset
CORE Group	San Francisco > San Francisco	Texas > Austin
Core-Mark Holding Co.	San Francisco > San Francisco	Texas > Westlake
Coyni (GreenBox spinoff)	San Diego > San Diego	Florida > Miami
CP Technologies	San Diego > San Diego	Arizona > Prescott
Crossfit LLC	Santa Cruz > Scotts Valley	Colorado > Boulder
Crowdpurr	Los Angeles > West Covina	Ohio > Dayton
Cryoport, Inc.	Orange County > Irvine	Tennessee > Brentwood
DailyWire	Los Angeles > Los Angeles	Tennessee > Nashville
DARVIS	San Francisco > San Francisco	Tennessee > Nashville
Dasan Zhone Solutions (DZS)	Alameda > Oakland	Texas > Plano
DealerSocket	Orange County > San Clemente	Texas > Irving
Dear Media LLC	Los Angeles > West Hollywood	Texas > Austin
Digital Pharmacist	Los Angeles > Los Angeles	Texas > Austin
Digital Realty Trust Inc.	San Francisco > San Francisco	Texas > Austin
DIQ SEO	(Silicon Valley > Unknown)	Texas > Austin
Directive	Orange County > Irvine	Texas > Austin
DJO Global	San Diego > Carlsbad	Texas > Lewisville
Dole Food Co.	Los Angeles > Los Angeles	North Carolina > Charlotte
Eagle Creek	San Diego > Vista	Colorado > Denver
Edelbrock Group	Los Angeles > Torrance	Mississippi > Olive Branch
Educational Media Foundation / Air1	Placer > Rocklin	Tennessee > Nashville
EnerBlu Inc.	Riverside > Riverside	Kentucky > Lexington
Energy Service Experts	San Francisco > San Francisco	Texas > Houston
Envirotech Vehicles	Riverside > Corona	Arkansas > Osceola
Extreme Networks	Santa Clara > San Jose	North Carolina > Morrisville
F45 Training Holdings Inc.	Los Angeles > Los Angeles	Texas > Austin
FaceFirst Inc.	Los Angeles > Los Angeles	Texas > Austin
Family Stations, Inc.	Alameda > Oakland	Tennessee > Nashville
Fantic USA	Marin > Sausalito	Colorado > Denver
FileTrail	Santa Clara > San Jose	Texas > Austin
Finical, Inc.	Los Angeles > Los Angeles	Texas > Dallas
First Foundation (bank)	Orange County > Irvine	Texas > Dallas

Flannery Trim	Los Angeles > San Fernando	Texas > Fort Worth
Flatirons Solutions	Orange County > Irvine	Colorado > Boulder
Flexible Funding	San Francisco > San Francisco	Texas > Fort Worth
FlexMet fka Calif. Precision Products	San Diego > San Diego	Tennessee > Franklin
Fox Factory Holding Corp.	Santa Cruz > Scotts Valley	Georgia > Gainesville
Ganymede Games	Alameda > Alameda	New Mexico > Las Cruces
GemCap	Los Angeles > Malibu	Texas > San Antonio
GetSales	San Francisco > San Francisco	Texas > Austin
Gilad&Gilad	Los Angeles > Los Angeles	Texas > Georgetown
GlobalFoundries Inc.	Santa Clara > Santa Clara	New York > Malta
GoCheck Kids	San Francisco > San Francisco	Tennessee > Nashville
Gold Alliance	Los Angeles > Los Angeles	Nevada > Reno
Gordon Ramsey North America	Los Angeles > Los Angeles	Texas > Irving
Green Dot	Los Angeles > Pasadena	Texas > Austin
Green Zero Energy	(U-turn from Calif.)	Ohio > Dayton
Grinds LLC	Alameda > Oakland	Indiana > Westfield
GrowthPlug	Santa Clara > San Jose	Oregon > Beaverton
Guardian Bikes	Orange County > Irvine	Texas > Austin
GuineaDad	Los Angeles > Los Angeles	Nevada > North Las Vegas
Gutterglove Inc.	Placer > Roseville	Tennessee > Franklin
H.E.R.O.S. Inc.	Los Angeles > Santa Clarita	Arizona > Chandler
Hall technologies	Orange County > Tustin	Texas > Coppell
Hangar Technology	Los Angeles > Santa Monica	Texas > Austin
Happy Joe Coffee	Los Angeles > Los Angeles	Arizona > Phoenix
Haptx fka Axon VR	San Luis Obispo > San Luis Obispo	Washington > Redmond
Harmonate	Santa Clara > San Jose	Texas > Austin
Harmony Outreach Inc.	Riverside > Temecula	Tennessee > Mount Juliet
Harrow Health	San Diego > San Diego	Tennessee > Nashville
Healthpeak	Orange County > Irvine	Colorado > Denver
Helicopter Engine Repair Overhaul	Los Angeles > Valencia	Arizona > Chandler
Hewlett Packard Enterprise (HPE)	Santa Clara > San Jose	Texas > Houston
HomeLight	San Francisco > San Francisco	Arizona > Scottsdale
Homestory Doors	Placer > Lincoln	Nevada > Reno
HST Pathways	Contra Costa > Lafayette	Tennessee > Nashville
Huckleberry Insurance	San Francisco > San Francisco	New York > New York
Hyperion Technologies, Inc.	Orange County > Orange	Ohio > Columbus
iFly.vc	San Francisco > San Francisco	Texas > Austin
IGM Biosciences HQ of Biz Units	Santa Clara > Mountain View	Pennsylvania > Doylestown
Immortals Company	Los Angeles > Culver City	Michigan > Detroit
Incora fka Wesco	Los Angeles > Valencia	Texas > Fort Worth
IT Avalon	Contra Costa > Brentwood	Nevada > Reno
JC Ford Co.	Orange County > La Habra	Tennessee > Columbia
JetSuite Inc.	Orange County > Irvine	Texas > Dallas
Jobvite	San Mateo > San Mateo	Indiana > Indianapolis
Joe Rogan Experience	Los Angeles > Los Angeles	Texas > Austin
JRS Company	Los Angeles > Covina	Texas > Hutto
Juul Labs	San Francisco > San Francisco	Washington, DC
Kaiser Aluminum Corp.	Orange County > Lake Forest	Tennessee > Franklin
Keen Horse Training	Los Angeles > Arcadia	Texas > Burleson
Kettle & Fire	San Francisco > San Francisco	Texas > Austin
Kimwoven	San Diego > San Diego	Oklahoma > Tulsa
Kitsbow	Sonoma > Santa Rosa	North Carolina > Old Fort
KLA	Santa Clara > Milpitas	Michigan > Ann Arbor
Krave Jerky	Sonoma > Sonoma	Texas > Austin
KVP International Inc.	San Bernardino > Chino	Texas > McKinney
Lada Cube	Shasta > Redding	Colorado > Grand Junction

Lalamove	(U-turn from Calif.)	Texas > Richardson
Landing Platform LLC	San Francisco > San Francisco	Alabama > Birmingham
Lehr Automotive	Sacramento > Sacramento	Nevada > Reno
Lion Real Estate Group	Los Angeles > Los Angeles	Texas > Dallas
Localwise	Alameda > Oakland	Colorado > Denver
Lockheed Martin FBM	Santa Clara > Sunnyvale	Florida > Titusville
Lottery.com (AutoLotto)	San Francisco > San Francisco	Texas > Bee Cave
Luminar Technologies, Inc.	Santa Clara > Palo Alto	Florida > Orlando
Maddox Defense	San Diego > San Diego	Texas > Houston
Made in Space (aka Redwire)	Santa Clara > Mountain View	Florida > Jacksonville
Markaaz Inc.	Los Angeles > Los Angeles	Texas > Austin
Marrone Bio Innovations, Inc	Yolo > Davis	North Carolina > Raleigh
Mary's Gone Crackers	Butte > Chico	Nevada > Reno
Master Manufacturing Group	Sacramento > Rancho Cordova	Tennessee > Dayton
Maxar Technologies	San Francisco > San Francisco	Colorado > Westminster
McKesson Corp.	San Francisco > San Francisco	Texas > Irving
MD7, LLC	San Diego > San Diego	Texas > Allen
MedeAnalytics	Alameda > Emeryville	Texas > Richardson
Mercer Global Advisors Inc.	Santa Barbara > Santa Barbara	Colorado > Denver
Merrick Engineering Inc.	Riverside > Corona	Texas > Waco
Michael Angelo's Gourmet Foods	Alameda > Berkeley	Texas > Round Rock
Misfits Gaming Group	Los Angeles > Los Angeles	Florida > Boca Raton
Mithril Capital Management	San Francisco > San Francisco	Texas > Austin
Mitsubishi Motors N.A., Inc.	Orange County > Cypress	Tennessee > Franklin
Montrose Environmental Group	Orange County > Irvine	Arkansas > North Little Rock
Moov Technologies	San Francisco > San Francisco	Arizona > Tempe
Mrs. Grossman's	Sonoma > Petaluma	Utah > Kanab
Musk Foundation	San Mateo > Menlo Park	Texas > Austin
Mutual UFO Network (MUFON)	Orange County > Irvine	Ohio > Cincinnati
Narrow Path Advisors	Nev. County > Grass Valley	Arkansas > Gravette
National E&S Insurance Brokers, Inc.	Los Angeles > Palmdale	Nevada > Reno
National Hot Rod Association	Los Angeles > Glendora	Indiana > Indianapolis
Nature of Wildlife	Los Angeles > Los Angeles	Arizona > Cornville
Nestle USA	Los Angeles > Glendale	Virginia > Arlington
Nexen	Los Angeles > Diamond Bar	Ohio > Richfield
NinjaRMM LLV	San Francisco > San Francisco	Texas > Austin
Nissei America	Orange County > Anaheim	Texas > San Antonio
No Restrictions Entertainment	Los Angeles > Los Angeles	South Carolina > Greenville
NobelBiz, Inc.	San Diego > Carlsbad	Wyoming > Cheyenne
Noodoe EV	Orange County > Irvine	Texas > Houston
North Face (VF Corp.)	Alameda > Alameda	Colorado > Denver
NortonLifeLock / Symantec	Santa Clara > Mountain View	Arizona > Tempe
NuZee, Inc.	San Diego > Vista	Texas > Plano
O.W. Lee	San Bernardino > Ontario	Texas > Comfort
Ocean Aero, Inc.	San Diego > San Diego	Mississippi > Gulfport
OKIN BPS	Santa Clara > Mountain View	Texas > San Antonio
Old Gringo Boots	San Diego > San Diego	Texas > Fort Worth
Opicity Inc.	Santa Clara > Santa Clara	Texas > Austin
OPSWAT	San Francisco > San Francisco	Florida > Tampa
Optimal Elite Management LLC	Ventura > Oxnard	Texas > Grand Prairie
Optym	(U-turn from Calif.)	Texas > Cypress Waters
Oracle	San Mateo > Redwood City	Texas > Austin
OrangeGrid	Orange County > Brea	Texas > Flower Mound
Orbit Fab	San Francisco > San Francisco	Colorado > Denver
Orca Capital	San Diego > San Diego	Florida > Miami
OriginClear Inc.	Los Angeles > Los Angeles	Texas > McKinney

Outdoorsy	San Francisco > San Francisco	Texas > Austin
Ovation Fertility Transitions	Los Angeles > Los Angeles	Tennessee > Nashville
Oxeia Biopharmaceuticals	San Diego > San Diego	Massachusetts > Boston
Pabst Brewing Co.	Los Angeles > Los Angeles	Texas > San Antonio
Pacific Farms	Alameda > Oakland	Nevada > Reno
Palantir Technologies	Santa Clara > Palo Alto	Colorado > Denver
Panic Plastics	San Bernardino > Upland	Idaho > Payette
Panoramic Doors	San Diego > Oceanside	Texas > Fort Worth
Parsons Co.	Los Angeles > Pasadena	Virginia > Centreville
PAS MRO	Orange County > Irvine	Oklahoma > Bristow
PayCertify sub. of ProfitPay	Santa Clara > San Jose	Nevada > Reno
PerceptIn	Santa Clara > Santa Clara	Indiana > Fishers
Phosphorus Cybersecurity	San Diego > Carlsbad	Tennessee > Nashville
Picsart	San Francisco > San Francisco	Florida > Miami Beach
Pilot.com	San Francisco > San Francisco	Tennessee > Nashville
Pinpoint	Santa Clara > Mountain View	Texas > Austin
Pipe Technologies	Los Angeles > Los Angeles	Florida > Miami
Plumas Bancorp	Plumas > Quincy	Nevada > Reno
PolarOnyx	Santa Clara > San Jose	North Carolina > Chapel Hill
Precision Medical	Placer > Rocklin	Texas > Carrollton
Precision Swiss Products	Santa Clara > Milpitas	North Carolina > Leland
Premier Displays & Exhibits Inc.	Orange County > Cypress	Nevada > Las Vegas
Prenexus Health	Imperial > Brawley	Arizona > Gilbert
Prepaid2Cash	San Francisco > San Francisco	Alabama > Birmingham
Price Pump Co.	Sonoma > Sonoma	Idaho > Caldwell
Promises Behavioral Health	Los Angeles > Long Beach	Tennessee > Brentwood
Propeller Aero (U-turn from Calif.)	Unknown > Unknown	Colorado > Denver
PteroDynamics (R&D HQ)	Ventura > Ventura	Colorado > Colorado Springs
Puroast Coffee Co. Inc.	Yolo > Woodland	North Carolina > High Point
Q Corp	Ventura > Camarillo	Nevada > Las Vegas
QQE Summit LLC	Alameda > Newark	Ohio > Dayton
Quality Custom Distribution	Orange County > Irvine	Texas > Frisco
QuestionPro	San Francisco > San Francisco	Texas > Austin
Quetico, LLC	San Bernardino > Chino	Arizona > Goodyear
RaceChip	Orange County > Brea	Florida > Fort Walton Beach
Raiders (NFL)	Alameda > Alameda	Nevada > Henderson
Real Estate Exchange (REX)	Los Angeles > Los Angeles	Texas > Austin
Red 6	Los Angeles > Santa Monica	Florida > Miami
Regent Properties HQ2	Los Angeles > Los Angeles	Texas > Dallas
Regroup Mass Notification	San Francisco > San Francisco	Texas > Dallas
Resonant	Santa Barbara > Santa Barbara	Texas > Austin
ReTech Systems LLC	Mendocino > Ukiah	New York > Buffalo
Revanche Therapeutics Inc.	Alameda > Newark	Tennessee > Nashville
Review Wave	Orange County > Irvine	Texas > McKinney
rfXcel	Contra Costa > San Ramon	Nevada > Reno
RiceBran Technologies	Sacramento > Sacramento	Texas > Houston
Riders Share	Los Angeles > Los Angeles	Texas > Austin
RJR Technologies	Alameda > Oakland	Arizona > Phoenix
Rooster Teeth	Los Angeles > Los Angeles	Texas > Austin
Saleen Performance Parts	Riverside > Corona	Texas > Round Rock
SaRA Health	Los Angeles > Los Angeles	Missouri > Kansas City
Science 37, Inc.	Los Angeles > Culver City	North Carolina > Morrisville
Scollar	Sonoma > Santa Rosa	Missouri > Kansas City
Scorpion	Los Angeles > Santa Clarita	Utah > Salt Lake City
Shelter Distilling	Mono > Mammoth Lakes	Colorado > Montrose
ShiftPixy Inc.	Orange County > Irvine	Florida > Miami

Shmoop University, Inc.	Santa Clara > Mountain View	Arizona > Scottsdale
ShutterFly, Inc. (HQ2)	San Mateo > Redwood City	Minnesota > Eden Prairie
SignEasy	San Francisco > San Francisco	Texas > Dallas
Silao Tortillera Inc.	Los Angeles > City of Industry	Arizona > Tucson
Slice of Sauce	Los Angeles > Los Angeles	Texas > Austin
SlumberYard.com	Placer > Rocklin	Nevada > Reno
Slync.io	San Francisco > San Francisco	Texas > Dallas
Smart Wires Inc.	Alameda > Union City	North Carolina > Durham
SmartAction	Los Angeles > El Segundo	Texas > Fort Worth
SmartDraw Software	San Diego > San Diego	Texas > Houston
Smartrise Engineering	Sacramento > Sacramento	Texas > Irving
Smarty-Pits	Kern > Tehachapi	Oregon > Bend
SnapDNA	Santa Clara > Mountain View	Colorado > Broomfield
Snowflake	San Mateo > San Mateo	Montana > Bozeman
Solvd Health	San Diego > Carlsbad	Illinois > Chicago
Sonim Technologies Inc.	San Mateo > San Mateo	Texas > Austin
Sovos Brands	Alameda > Berkeley	Kentucky > Louisville
Space Channel Inc.	Orange County > Anaheim	Texas > San Antonio
Space Channel Inc.	Los Angeles > Los Angeles	Texas > Brownsville
Spectrum Labs	San Francisco > San Francisco	Florida > Miami
Spruce Power LLC	San Francisco > San Francisco	Texas > Houston
Stache	Santa Clara > Palo Alto	Tennessee > Nashville
Starbrook Modular	Marin > Larkspur	Nevada > Reno
StemExpress	Sacramento > Sacramento	Nevada > Reno
Strategic Information Group	San Diego > Encinitas	South Carolina > Rock Hill
Sunhaven Home	Los Angeles > Los Angeles	Texas > Houston
SureClinical	Sacramento > Rancho Cordova	Nevada > Reno
Suzuki Marine USA	Orange County > Brea	Florida > Tampa
Synergy Blue	Riverside > Palm Desert	Nevada > Las Vegas
Tachyum	Santa Clara > San Jose	Nevada > Henderson
Tailift Material Handling USA	San Bernardino > Ontario	Texas > Houston
Tanium	Alameda > Emeryville	Washington > Kirkland
TaskUs	Los Angeles > Santa Monica	Texas > New Braunfels
TCS Healthcare Technologies	Placer > Auburn	North Carolina > Wilmington
Tech21	Santa Clara > San Jose	Texas > Austin
Tesla	Santa Clara > Palo Alto	Texas > Austin
The Daily Wire	Los Angeles > Los Angeles	Tennessee > Nashville
The Glock Store - HQ + Manu.	San Diego > San Diego	Tennessee > Nashville
The Icee Co.	San Bernardino > Ontario	Tennessee > La Verne
The Rubin Report	Los Angeles > Los Angeles	Florida > Miami ???
theBalm	Alameda > Alameda	Nevada > Reno
Therabody (HQ2)	Los Angeles > Los Angeles	Texas > Dallas
TOCA Social sub. Of TOCA Football	Orange County > Costa Mesa	Texas > Dallas
Truebill	San Francisco > San Francisco	Maryland > Silver Spring
TV4 Entertainment	Los Angeles > Venice	Florida > Orlando
U.S. Pulmonary Hypertension	San Mateo > South San Francisco	New Jersey > Titusville
Universal Electronics, Inc.	Orange County > Santa Ana	Arizona > Scottsdale
Unstoppable Domaines	San Francisco > San Francisco	Nevada > Reno
Upstart Network Inc. (HQ2)	San Mateo > San Carlos	Ohio > Columbus
UroDev Medical	Orange County > San Clemente	Minnesota > Edina
Varo Money Inc.	San Francisco > San Francisco	Utah > Salt Lake City
Veridia Diagonostics	Alameda > Alameda	Texas > Round Rock
Viavi Solutions	Santa Clara > San Jose	Arizona > Chandler
Vio Security	Los Angeles > Woodland Hills	Texas > Irving
Violin Systems	Santa Clara > San Jose	Colorado > Colorado Springs
Walker & Co.	Santa Clara > Palo Alto	Georgia > Atlanta

Waterlogic USA, Inc.	Contra Costa > Concord	Texas > Grapevine
Weatherby Inc.	San Luis Obispo > Paso Robles	Wyoming > Sheridan
Wedgewood LLC	Los Angeles > Redondo Beach	Texas > Farmers Branch
Weiss Watch Co.	Los Angeles > Torrance	Tennessee > Nashville
Wild Earth	Alameda > Berkeley	North Carolina > Durham
Wiley X	Alameda > Livermore	Texas > Frisco
William Glen Inc.	Sacramento > Sacramento	Texas > Weatherford
Win-Win Co,	Alameda > Oakland	Texas > Houston
Wonolo (HQ2)	San Francisco > San Francisco	Tennessee > Nashville
Woodward Inc.	Los Angeles > Duarte	Colorado > Fort Collins
Xcelaero Inc.	San Luis Obispo > San Luis Obispo	Louisiana > Baton Rouge
XoJet Aviation	Sacramento > Sacramento	Florida > Fort Lauderdale
Yamaha Motor Corp.	Orange County > Cypress	Georgia > Marietta
Yeezy	Los Angeles > Calabasas	Wyoming > Cody
Yogo	San Francisco > San Francisco	Nevada > Sparks
Yoshi	San Francisco > San Francisco	Tennessee > Nashville
Zeiss Vision Care	San Diego > San Diego	Kentucky > Hebron
Zoho, Inc.	Alameda > Pleasanton	Texas > Austin
Zoosk	San Francisco > San Francisco	Germany > Berlin
Zovio, Inc.	San Diego > San Diego	Arizona > Chandler
Zox LLC	Los Angeles > Agoura Hills	Texas > Austin
ZP Better Together	Placer > Rocklin	Texas > Austin
ZVRS & Purple Comm.	Del Norte > Rockland	Texas > Austin

Endnotes

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