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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.

JEL Codes: R3, R5, L1

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1. Introduction

California is experiencing a serious loss of company headquarters to other states. The phenomena, which includes business in nearly all industries, has gone virtually unrecognized by the state's elected officials and governmental agencies. This paper uses several sources to document the companies that have relocated their headquarters out of California between 2018 and 2021 and discusses the economic reasons why these relocations are occurring at an accelerating rate.

For the first six months of 2021, the number of companies relocating their headquarters out of California is running at twice the rate for 2020. Our findings indicate 272 companies moved their headquarters to other states just in the period from January 1, 2018, through June 30, 2021, based on the date of the announcement or date of documentation with the state, whichever came first. The losses are accelerating in that such relocations in the first half of 2021, which total 74, exceed that for all of 2020. Every month in 2021, twice as many companies are relocating their headquarters as in the prior year. The half-year monthly average for 2021 also significantly exceeds the monthly averages for 2018 and 2019.

Our findings identify the California counties that lost headquarters facilities, the states to which migrations occur, and extensive discussion of the reasons, including high tax rates, punitive regulations, high labor costs, high utility and energy costs, and declining quality of life for many Californians which reflects the cost of living and housing affordability.

Destination states include Texas, which for many years has been the most popular location for California company relocations. Arizona and Nevada usually rank at No. 2 and No. 3, and many move to the nation's interior, which is sometimes unfairly disparaged as "flyover country."

Key findings about how corporate leaders rank a state's business climate is reflected in Chief Executive magazine's annual survey of CEOs. For the 17th year in a row, Texas tops the publication's 2021 Best and Worst States for Business list while California once again ranked at No. 50, the worst state in which to do business.

The Tax Foundation's 2021 State Business Tax Climate Index – which evaluates taxes in five categories in calculating a state's overall ranking – lists California at No. 49, the second-worst with only New Jersey trailing. California's poor position is unlikely to improve considering that its businesses routinely face threats of increases in income taxes, property taxes, and sales taxes along with higher county and municipal taxes and fees. Tax Climate rankings include personal income taxes because a significant number of firms, including sole proprietorships, partnerships, and LLCs, report their income through the individual income tax code depending upon the state.

California is notorious for imposing excessive real estate taxes while disregarding the financial strain placed upon businesses and homeowners. California will likely try to raise real estate taxes by undermining Proposition 13, which limits property tax increases. Pro-tax coalitions launch continual efforts to eliminate or weaken Proposition 13's protections – coalitions comprised of legislators, deep-pocketed special interests, and interests such as government contractors and state and local government-employee unions. Such entities have spent millions of dollars to overturn Proposition 13. Thus far they have not been successful, but they certainly will try again.

Lawmakers in Sacramento continually enact laws that expand civil liability on businesses and property owners. The American Tort Reform Foundation (ATRF) recently indicated that California is among the nation's worst legal "hellholes" with its abusive laws and civil court system – especially related to employee lawsuits – and where the likelihood of catastrophic verdicts is higher than in other states. National companies have found that their legal costs in California are disproportionate to the number of workers they employ in the state. Some corporate leaders and business owners have considered establishing a facility in California, but upon discovering the difficult legal climate, reversed course and opened facilities in other states.

Among the most costly of these laws is the Private Attorney General Act (PAGA), also known as the "Sue Your Boss" law, which authorizes employees to file lawsuits to recover civil penalties on behalf of themselves, other employees, and the State of California. Unfortunately, PAGA allows employees to sue for almost every Labor Code violation, even the most minor infraction of California's 1,050-page labor law digest. No evidence exists that this law will be diminished in scope or eliminated.

Obtaining permits from state, regional, and local agencies in California to build any type of facility is extraordinarily expensive and time-consuming because of confusing, extraneous, and harsh requirements and bureaucratic delays. The length of time required for one fast-food restaurant to obtain a building permit in Los Angeles is 285 days while it's only 60 in Texas. And permitting difficulties aren't limited to the state's large cities.

Regarding labor costs, reasons exist for why compensation in California is higher than in other states. California employees often have (or demand) elevated wages to meet the high cost of living, excessive housing prices, burdensome income tax rates, expensive utilities, and in some cases payments for private schools to avoid the failing public school systems. For an employer, 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.

An exceptionally costly feature is California's overtime law. 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. However, California 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 requires the employee to be compensated for the overtime. Labor unions in California are so powerful that all efforts to modify the overtime law to conform to the Federal standard have failed. Companies are disadvantaged in facing competitors in other states that are free of the requirement and handicapped by foreign-based competitors who have no overtime regulations and pay lower wages. The stipulation is also unpopular with employees who increasingly desire a four-day workweek.

Businesses have long been concerned with California's inordinately high workers' compensation costs, and a January 2021 study from the Oregon Department of Consumer and Business Services ranks California ranks 47th in costs, with only Vermont, New York, and New Jersey being more costly.

The U.S. Energy Information Administration identifies California's energy costs for commercial operations as being quite high. California's cost per kilowatt-hour (kWh) ranks at No. 48, with only the non-contiguous states of Alaska and Hawaii being more expensive. Industrial rates are relevant because there are times when companies relocate their headquarters and manufacturing plants in unison. Here, again, California ranks quite low, at No. 44, with only New Hampshire, Massachusetts, Connecticut, Rhode Island, Alaska, and Hawaii at No. 50 being more costly for industrial users. With California blocking new power plants – while dismantling older ones – means prices will only worsen. Future cost increases are a certainty as utilities will be faced with higher charges from an increase in imports of electricity from other states.

One reason why California's quality-of-life continues to deteriorate is unaffordable housing, The Demographia International Housing Affordability Survey of 2021 examines 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 indicator for measuring residential markets. Of the 56 metropolitan areas studied in the United States, the 12 most Severely Unaffordable areas include 7 in California with Sacramento being the "least of the worst," followed by Fresno, Riverside-San Bernardino, San Diego, and Los Angeles. Tied for last place are ultra-costly San Jose and San Francisco.

A trustworthy 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 and are expressed as a percentage of the overall national price level. The latest RPP for California is at 116.4, which means that prices in the state average 16.4 percent higher than the U.S. average. Only Hawaii ranked worse. When a company considers sites in competing states to locate a facility – and is concerned about the cost-of-living and ability to attract workers – the RPP difference would lend weight to opt for a less-expensive state.

California politicians sometimes suggest that other states are being "unfair" by offering economic incentives to lure companies to their states. However, California, too, offers a multitude of grants and tax-abatement incentives designed to keep companies within the state or to attract out-of-state companies. Since Gavin Newsom took office in 2019, the Governor's Office of Business and Economic Development (GO-Biz) has awarded 147 businesses a total of $593,844,974 in tax credits. Gov. Jerry Brown's administration was similarly generous. Moreover, California in 2021 has increased funding for incentives including creating a new grant program authorized to last until January 1, 2030. Without such incentives, the occurrences of California headquarters departures would likely be higher than what the record shows thus far.

Generally unrecognized is that companies move to states without economic incentives being available. Incentives can be difficult to obtain, incur compliance costs for many years, and in many cases, the availability of incentives is sometimes irrelevant to a company's location decision. Indeed, some California companies have relocated completely without seeking incentives.

While California does nothing to reduce business taxes, five states in 2021 lowered corporate income taxes – Arkansas, Colorado, Indiana, Iowa, and Mississippi. Nine states have recently reduced individual income taxes and North Carolina and Wisconsin are considering tax reforms and reductions.

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 on new capital facility spending projects. Section 3 presents some perspectives from business leaders on the 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 Eroding Position by the Numbers

This report focuses exclusively on California companies moving their headquarters to other states and the reasons why companies do so, a topic that has gone underreported within the state. That is regrettable because losses of headquarters result in significant economic costs to affected communities. Financial pain is manifested as well-compensated employees depart and no longer patronize local businesses or pay income taxes, school taxes, or sales taxes. Moreover, when advanced technology companies move their headquarters, centers of innovation move with it.

The most obvious loss is in the form of jobs, but also in a reduction 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 usually shifts its philanthropic contributions away from non-profit organizations in their traditional location and to establishments in the new community.

California lost a total of 272 headquarters in the period January 1, 2018, through June 30, 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 half-year total of 74 – which average 12.3 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 enormously, because relatively small businesses – those that do not attract media coverage or that are required to file compliance reports – fly under the relocation radar and thus are extremely difficult to detect.

Table 1: California Headquarters Losses from Jan. 1, 2018 through June 30, 2021		
Year	**Total Events**	**Monthly Average**
1/1/2021 to 6/30/2021	74	12.3
2020	62	5.2
2019	78	6.5
2018	58	4.8
Total All Years	272	6.5
Understated because not all headquarters relocations become public knowledge, particularly among smaller companies.		

One reason for the acceleration is that relocation planning often takes between one and three years from the initiation of research to the announcement of the move. The most recent 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, Disney headquarters jobs will move to Florida. Some headquarters operational jobs will also be relocated to Canada because Walt Disney Animation Studios division will move work from its Burbank headquarters to a new studio in Vancouver, British Columbia.[2] That relocation also is excluded from this report.

A headquarters relocation that is included in this report is the National Hot Rod Association that is leaving California after 12 years of study. The NHRA started considering moving its headquarters to Indiana in 2009 and did not decide until 2021.[3]

Some companies have privately revealed that relocation planning was put on hold during the worst of Covid-19 because officials wanted to avoid flying and staying in hotels, avoid meeting with economic development officials and commercial realtors in other cities and avoid causing anxiety among employees already burdened with pandemic concerns. It may be that Disney relocation plans followed that pattern.

A community landing a headquarters gains more than bragging rights. 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]

Summary of Losses by California County

Of the California counties that have experienced headquarters losses, it is reasonable that Los Angeles and San Francisco have experienced the highest number considering that companies are concentrated in those cities. Also, they are expensive counties in which to do business, and their regulatory and permitting requirements are often cited by company leaders as excessive.

Headquarters migrations out of Santa Clara, Alameda, San Mateo, and Contra Costa 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 lure workers who want to avoid living in ultra-expensive Silicon Valley or San Francisco. The counties with the most losses are shown in Table 2, below:

Table 2: Top Ten Losses by County						
Jan 1, 2018 through June 30, 2021						
Rank	**County**	**Total**		**Rank**	**County**	**Total**
1	Los Angeles	54		7	San Mateo	13
2	San Francisco	47		8	Sacramento	8
3	Orange	29		9	Contra Costa	6
4	Santa Clara	28		9	San Bernardino	6
5	Alameda	20		10	Riverside	5
6	San Diego	17				
This table is understated. Additional companies have relocated their California headquarters out of these and additional counties, but not all relocations are public knowledge, especially among smaller companies.						

Winning Destination States

Texas has been the most popular destination for California company relocations, a distinction it has held for at least a decade. Arizona and Nevada often ranked second/third, which we believe partially reflects convenient air schedules connecting with the largest cities. For example, Los Angeles is only a one-hour flight to Phoenix and Las Vegas, and San Francisco also has a brief flight time to Reno. Those convenient travel times influence corporate executives and business owners to relocate to those communities. Despite those short flying times, far-flung states also are gaining California companies, as shown in Table 3, below:

Table 3: Top Winning States										
Jan 1, 2018 through June 30, 2021										
Rank	**State**	**Known Wins**		**Rank**	**State**	**Known Wins**		**Rank**	**State**	**Known Wins**
1	Texas	114		6	Florida	13		9	Virginia	4
2	Tennessee	25		7	North Carolina	8		9	Indiana	4
3	Arizona	17		8	Georgia	5		13	Alabama	3
4	Nevada	15		9	Idaho	4		13	Missouri	3
5	Colorado	14		9	Kentucky	4		13	Minnesota	3
*One company has elected to no longer have a headquarters.								13	Oregon	3
This Table is understated. Additional companies have relocated their headquarters to other states, but the only states listed above are those where such events are public knowledge. The states listed have likely experienced more wins.										

California Lags in Total New Capital Projects

A valuable guide as to geographic preferences for overall capital investment for all types of relocated facilities and new facilities is found in *Site Selection Magazine*. The publication annually examines the number of capital projects to determine which states are leading and which are lagging in the competition for new facilities. Note: The analysis isn't focused exclusively on headquarters but all facilities including factories, research and development units, data centers, call centers, back offices and distribution centers. The research is undertaken in two ways – total projects and projects on a per capita basis.

In calculating project "wins," it is reasonable to expect that large states have an advantage in high rankings. California should have a high position considering that 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 in the 16th position, as shown in Table 4. Texas came in at the top spot, as it has done for many years, and it's remarkable that Ohio, Indiana, Kentucky, and Alabama – to name just a few of the smaller states – rank higher than California.

Table 4: 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: *Site Selection* Magazine				33	New Mexico	20		47	Alaska	2

California Lags in Per Capita Capital Projects

The ranking changes markedly when new capital investment projects of all types, not just headquarters, are evaluated on a per capita basis of 1 million population. The finding is rather stunning because under this scenario, during 2020, California was tied with North Dakota in at No. 46, as shown in Table 5.

Table 5: 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: *Site Selection* Magazine					32	South Dakota	5	5.7		50	Rhode Island	2	1.9

3. California's Business Environment as Viewed by Others

Many independent surveys have concluded that California's business climate is harmful to companies across industry and the size of the company.

Chief Executive: 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 a change of locale 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 as follows:

Table 6: 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 Fail Small Business

The judgment of Chief Executives is reflected 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 published its 23rd annual look at how public policies in the 50 states affect entrepreneurship, small businesses, and the economy. It ranks the states according to 62 policy measures, including assorted 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]

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 7, below:

Table 7: The Small Business Policy Index State Rankings										
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 stands for 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 recent survey from the Berkeley Institute of Governmental Studies found that voters increasingly identify the root of California's problems as excessive taxation and regulation. An all-time-record 81 percent of respondents said state and local taxes are too high, with most of those voters (48 percent) saying taxes are 'much too high.' Voters resoundingly agreed (78 percent) that onerous 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, business taxes affect business decisions, job creation and retention, plant location, competitiveness, and the long-term health of a state's economy, adding. "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), or 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 2021 State Business Tax Climate Index – which evaluates taxes in five categories in calculating a state's overall ranking – lists California at No. 49, the second-worst in the nation with only New Jersey trailing. That poor position is unlikely to improve considering that California businesses routinely face threats of increases in income taxes, property taxes, and sales taxes along with higher county and municipal taxes and fees. Tax Climate rankings are shown in Table 8, below:

Table 8: State Business Tax Climate Index & Ranks for 2021							
Index Rate	**State**		**Index Rate**	**State**		**Index Rate**	**State**
1	Wyoming		18	Tennessee		35	Kansas
2	South Dakota		19	Kentucky		36	Illinois
3	Alaska		20	Idaho		37	Rhode Island
4	Florida		21	Colorado		38	Hawaii
5	Montana		22	West Virginia		39	Ohio
6	New Hampshire		23	New Mexico		40	Iowa
7	Nevada		24	Arizona		41	Alabama
8	Utah		25	Wisconsin		42	Louisiana
9	Indiana		26	Virginia		43	Vermont
10	North Carolina		27	Pennsylvania		44	Maryland
11	Texas		28	Nebraska		45	Arkansas
12	Missouri		29	Maine		46	Wash., DC
13	Delaware		30	Oklahoma		46	Minnesota
14	Michigan		31	Georgia		47	Connecticut
15	Oregon		32	Mississippi		48	New York
16	Washington		33	South Carolina		49	California
17	North Dakota		34	Massachusetts		50	New Jersey
* DC's score and rank do not affect other states							
Source: Tax Foundation "2021 State Business Tax Climate Index"							
Note: A rank of 1 is best, 50 is worst. Rankings do not average to the total. States without a tax rank equally as 1 in that category. The report shows tax systems as of July 1, 2020 (the beginning of Fiscal Year 2021)							

Individual Income Taxes Affect Business Decisions

The personal income tax component is important to individuals, but it is rarely understood how it impacts business entities. A significant number of firms, including sole proprietorships, partnerships, and LLCs, report their income through the individual income tax code depending upon the state. The section below summarizes findings from the Tax Foundation's latest report, the "2021 State Business Tax Climate Index."[10]

> In the rankings, states that do not impose an individual income tax generally receive a perfect score, and states that do impose an individual income tax will generally score well if they have a flat, low tax rate with few deductions and exemptions. Scoring near the bottom of this component are states that have high tax rates and very progressive bracket structures. They generally fail to index their brackets, exemptions, and deductions for inflation, do not allow for deductions of foreign or other state taxes, penalize married couples filing jointly, and do not recognize LLCs and S corporations.

The individual income tax rate measures the impact of rates on the marginal dollar of individual income using three criteria: (1) the top tax rate, (2) the graduated rate structure, and (3) the standard deductions and exemptions, which are treated as a zero percent tax bracket. The rates and brackets used are for a single taxpayer, not a couple filing a joint return.

In short, states with more competitive tax systems score well in the Index, because they are best suited to generate economic growth while states that score poorly have complex, multiple-rate systems – all of which helps explain why New York ranks No. 48, California No. 49, and New Jersey No. 50, as shown in Table 9.

Table 9: Individual Income Taxes per the State Business Tax Climate Index									
Rank	**State**	**Score**	**Rank**	**State**	**Score**		**Rank**	**State**	**Score**
1	Alaska	10.00	17	Arizona	5.49		34	South Carolina	4.62
1	Florida	10.00	18	Kentucky	5.47		35	Virginia	4.60
1	South Dakota	10.00	19	Pennsylvania	5.41		36	Georgia	4.56
1	Wyoming	10.00	20	North Dakota	5.23		37	Wisconsin	4.50
5	Nevada	8.40	21	Nebraska	5.15		38	Oregon	4.42
6	Texas	7.88	22	Maine	5.13		39	Vermont	4.36
6	Washington	7.88	23	Missouri	5.10		40	Iowa	4.29
8	Tennessee	7.07	24	Kansas	5.07		41	Arkansas	4.18
9	New Hampshire	6.37	25	Montana	5.02		42	Delaware	4.05
10	Utah	6.08	26	Idaho	5.01		43	Ohio	3.96
11	Massachusetts	5.94	27	Mississippi	4.89		44	Connecticut	3.87
12	Michigan	5.93	28	West Virginia	4.88		45	Maryland	3.64
13	Illinois	5.85	29	Rhode Island	4.86		46	Minnesota	3.59
14	Colorado	5.84	30	Alabama	4.81		47	Hawaii	3.51
15	Indiana	5.77	31	New Mexico	4.80		48	New York	3.05
16	North Carolina	5.71	32	Louisiana	4.71		49	California	2.53
			33	Oklahoma	4.64		50	New Jersey	1.86

Note: A rank of 1 is best, 50 is worst. Rankings do not average to the total. States without a tax rank equally as 1. The report reflects tax systems as of July 1, 2020 (the beginning of Fiscal Year 2021). A unique component here is that Washington and Texas, which do not have taxes on wage income, did not rank at the top. The reason is that those states do apply gross receipts taxes to limited liability corporations (LLCs) and S corporations. Because these entities are generally taxed through the individual code, these two states do not score perfectly in the individual income tax component. Another exception is found in Nevada, where a payroll tax (for purposes other than unemployment insurance) is also included in the individual income tax component. Alaska, Florida, South Dakota, and Wyoming score perfectly in this component because their tax codes are free of such requirements. – Tax Foundation, 2021 State Business Tax Climate Index.

Californians Exiting the State

Economist Arthur Laffer observed in October 2020 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."[11]

In considering taxes for individuals, Dan Walters, long-time California columnist, was correct to say 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."[12]

California is not even considering lower individual income taxes despite it having a $75.7 billion budget surplus in mid-July, 2021[13] – and another $27 billion in federal aid to spend during the year thanks to the $1.9 trillion American Rescue Plan enacted by President Biden.[14] Admittedly, Gov. Newsom has approved sending up to $1,100 in tax rebates for middle-class and low-income residents, but a greater benefit would be if Californians received permanent, real tax relief, not just one-time stimulus checks.

Meanwhile nine states – Arizona, Idaho, Iowa, Louisiana, Missouri, Montana, Ohio, Oklahoma, and New Hampshire – have recently reduced individual income taxes, citing budget surpluses despite the economic harm brought by the coronavirus pandemic. North Carolina and Wisconsin are considering tax reforms and reductions.[15]

Threats to Real Estate Tax Protections

California is notorious for imposing excessive real estate taxes while ignoring the financial strain placed upon millions of homeowners. Some history is relevant because California regularly fails to "learn lessons from taxpayers" and will again try to raise real estate taxes by undermining Proposition 13. The Howard Jarvis Taxpayers Association (HJTA) summarizes the "tax revolt" 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]

Proposition 13 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.[17]

However, pro-tax interests launch continual efforts to eliminate or weaken Proposition 13's protections. According to the HJTA, multiple threats have emerged from coalitions comprised of big-spending legislators, deep-pocketed special interests, Silicon Valley billionaires, corporate interests such as government contractors, and state and local government-employee unions (the California Teachers Association is often called the state's fourth branch of government). Such entities have spent millions of dollars to influence the public to overturn Proposition 13 at the ballot box.[18]

The latest effort was in 2020 when politicians put Proposition 15 on the ballot that would weaken Proposition 13 while obscuring the fact that it would be the largest property tax hike in state history. Among other criticisms, it was dubbed a "glorified pension bailout at the expense of private-sector job creators, their employees and consumers."[19]

If passed, Proposition 15 would have repealed Proposition 13 protections for businesses. 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 the tax businesses would have been phased in beginning in fiscal year 2022-2023. The effort was a Trojan Horse, as explained by 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.”[20]

Voters defeated that initiative by 52-to-48 percent, which was surprising not only because of its backing by powerful special interests but because of the “piling on” support it received from Senator Kamala D. Harris (D) and out-of-state politicians who favor higher taxes: Senators Cory Booker (D) New Jersey; Bernie Sanders (I) Vermont; Elizabeth Warren (D) Massachusetts; Former Vice President Joe Biden (D) (before he became President); Former New York Mayor Michael Bloomberg (D); Former South Bend, Indiana, Mayor Pete Buttigieg (I); Former HUD Secretary Julián Castro (D); and Former U.S. Rep. Beto O’Rourke (D) Texas.

Out-of-state politicians likely supported Prop. 15 to align with supporters such as labor unions, the Democratic Socialists of America, and a political advocacy organization funded by the Chan Zuckerburg Advocacy,[21] which was founded by Facebook CEO and co-founder Mark Zuckerberg and his wife Priscilla Chan.[22]

With history as a guide, it is likely that California will again attempt to implement the “split roll,” particularly as Democrats continue to expand the registered voter rolls to include younger individuals who are unaware of or unconcerned about how taxes affect business entities.

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.”[23]

Lawmakers in Sacramento continually enact laws designed to expand civil liability on business and property owners. For several years, ATRF said California is the worst or among the nation’s systems. Its study of litigation data found California’s abusive 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.[24]

California competes with New York for the most "no-injury" consumer class actions targeting the food and beverage industry. These are lawsuits often claim that some aspect of a product's packaging or marketing misleads consumers, even though it is likely to have made no difference to anyone's decision to buy a product.

California's statutes and regulations are so unreasonable that companies have reported in confidence that their legal costs in California are disproportionate to the number of employees they have in the state. Policy makers apparently find it acceptable that their measures create the appearance of wrongdoing by companies despite the absence of improprieties on their part.

Some corporate executives and business owners considered establishing a facility in California, but upon discovering the legal climate, reversed course and opened facilities in other states.

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).[25] 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.[26] The law allows employees to step into the shoes of a state enforcement agency for aggrieved employees and their coworkers.

Unfortunately, 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 step in and enforce even the most minor 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 or sued for a mistake on a paycheck stub. (See separate section on this topic.)

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 $40 million in the 2018-2019 fiscal year, the most recent available estimate.

Tom Manzo, President of Timely Industries, learned that Timely was being sued by an employee for wage and hour violations. The company was concerned it might have to expend a minimum of $200,000 in attorney fees and another million-plus 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 allows 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.[27]

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."[28] 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,[29] Consumer Attorneys of California,[30] the UCLA Labor Law Center,[31] the California Employment Lawyers Association,[32] and the California Rural Legal Assistance Foundation.[33]

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

> Who's profiting from these ludicrous lawsuits? It's not the employees, that's for sure. A recent $675k PAGA settlement delivered 93% 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.[34]

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

6. California's Punitive Regulatory Climate

With 395,000 pages of regulations, California is the most highly regulated state in the country. The challenges that businesses have in complying with these regulations are compounded when we consider that they must also deal with many state agencies, boards, and commissions and the state has 518 such entities.[35]

Some companies relocate their production out of California to escape the state's difficult regulatory environment for manufacturers – and simultaneously move their headquarters to maintain organizational cohesiveness and enjoy greater savings by relocating two facilities out of state.

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."[36] Unfortunately, it is difficult to anticipate future regulatory requirements in California.

For quite some time California's regulatory environment has been a major motivator for businesses to leave the state. Companies prefer being located in a business-friendly environment with political stability – both of which are elusive in California. Each year the state issues an onslaught of new provisions.

Paycheck Stub Abuse

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 very substantial.

Attorney Marsh clarified that "case law states that partial or even substantial compliance is not a defense." One wage statement violation involved 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.[37]

Regarding the impact of relocating a business, Kim 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.[38]

California Ranks Low in 'Economic Freedom' by State

Economic Freedom is an important concept for economists and has important 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 and have that property protected, to freely make decisions, and participate in open and competitive marketplaces.

For 30 years, the Fraser Institute has measured the extent to which 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.[39]

The findings in its November 2020 report show that the most economically free state is New Hampshire, followed by Florida, Virginia, Texas, and Tennessee. The bottom five are Vermont, followed by California, Alaska, West Virginia, and New York as the worst, as shown in Table 10, below:

Table 10: Summary of the Ratings of U.S. States for Economic Freedom

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 extraordinarily expensive and time-consuming reflecting a confusing process that is rife 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.[40] The company moved its headquarters from Carpinteria in Santa Barbara County to Franklin, Tennessee, near Nashville.[41] (Note that Karl Karcher started his first restaurant in Los Angeles and founded the Carls' Jr. hamburger chain in Anaheim.)

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

In San Clemente, Orange County, 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 – and if any complaints were made they weren't relayed to the company. 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."[42] 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 requirements is beyond the scope of this paper, we note that the permits 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.[43] Each one represents a cost to businesses. Even just forming an LLC within California requires an $825 fee.

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

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 11 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 11: 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 must remain confidential – 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 MSAs 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*.[44]

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.[45]

Labor unions in California are sufficiently powerful 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]."[46]

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.[47] 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."[48]

Workers' Compensation Costs

Businesses have long been concerned with California's inordinately high workers' 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.[49] When it comes to these costs, California ranks at No. 47, as shown in Table 12, below:

Table 12: 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

Metrics included in location studies are energy costs including electricity. While rates vary in different parts of a state, consideration of state averages is useful. The U.S. Energy Information Administration identifies California's average energy costs for commercial establishments as being inordinately high. California's cost per kilowatt-hour (kWh) ranks at number 48, with only the non-contiguous states of Alaska and Hawaii being more expensive, as shown in Table 13.

Table 13: Average Price of Electricity by State -- Commercial March 2021 (Cents per Kilowatt-hour)										
Rank	State	Rate		Rank	State	Rate		Rank	State	Rate
1	Oklahoma	6.36		18	South Dakota	9.58		35	South Carolina	10.72
2	Nevada	7.15		19	West Virginia	9.60			U.S. Average	11.13
3	Idaho	7.76		20	Arizona	9.60		36	Mississippi	11.16
4	Virginia	7.77		21	Ohio	9.78		37	Indiana	11.63
5	Utah	8.01		22	Illinois	9.80		38	Michigan	12.21
6	Missouri	8.33		23	Louisiana	9.99		39	Alabama	12.21
7	Pennsylvania	8.66		24	Colorado	10.02		40	New Jersey	12.33
8	Nebraska	8.68		25	Maryland	10.07		41	Maine	12.53
9	North Dakota	8.82		26	Minnesota	10.12		42	New York	14.97
10	Iowa	8.99		27	New Mexico	10.14		43	New Hampshire	15.98
11	Oregon	9.01		28	Georgia	10.21		44	Rhode Island	16.18
12	Arkansas	9.05		29	Texas	10.41		45	Vermont	16.32
13	North Carolina	9.18		30	Kansas	10.48		46	Massachusetts	16.81
14	Washington	9.22		31	Montana	10.59		47	Connecticut	16.98
15	Florida	9.35		32	Tennessee	10.65		48	California	17.20
16	Wyoming	9.47		33	Kentucky	10.69		49	Alaska	18.89
17	Delaware	9.50		34	Wisconsin	10.72		50	Hawaii	30.76
U.S. Energy Information Administration										

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. Here, again, California ranks quite low, at No. 44, as shown in Table 14.

Table 14: Average Price of Electricity by State -- Industrial										
March 2021 (Cents per Kilowatt-hour)										
Rank	**State**	**Rate**		**Rank**	**State**	**Rate**		**Rank**	**State**	**Rate**
1	Oklahoma	3.87		18	Utah	5.99		34	Michigan	7.44
2	Nevada	4.90		19	New York	5.99		35	Florida	7.49
3	Tennessee	5.29		20	Alabama	6.10		36	Minnesota	7.56
4	Kentucky	5.37		21	Pennsylvania	6.13		37	Colorado	7.67
5	Georgia	5.43		22	Ohio	6.18		38	South Dakota	7.99
6	Iowa	5.47		23	Missouri	6.39		39	Maryland	8.12
7	Montana	5.48		24	New Mexico	6.59		40	Texas	8.65
8	Washington	5.55		25	Virginia	6.61		41	Maine	9.70
9	Louisiana	5.55		26	Indiana	6.80		42	New Jersey	10.27
10	Idaho	5.56		27	Wyoming	7.01		43	Vermont	11.27
11	Mississippi	5.70			U.S. Average	7.01		44	California	13.15
12	Arkansas	5.82		28	North Dakota	7.04		45	New Hampshire	13.82
13	Oregon	5.87		29	Illinois	7.17		46	Massachusetts	14.45
14	Arizona	5.91		30	Wisconsin	7.24		47	Connecticut	14.72
15	West Virginia	5.97		31	Delaware	7.30		48	Rhode Island	16.04
16	South Carolina	5.97		32	Nebraska	7.33		49	Alaska	16.49
17	North Carolina	5.98		33	Kansas	7.40		50	Hawaii	26.67
U.S. Energy Information Administration										

Utility Rate Increases on the Horizon

Customers in all parts of California are likely to see energy cost increases by virtually every utility. PG&E Corp. submitted a proposal to regulators for a rate increase totaling $3.6 billion starting in 2023 to help make its system more reliable and safer by sparking fewer fires. PG&E serves a large swath of California from Shasta County near the Oregon border to Santa Barbara County near Los Angeles. The increase for commercial customers would vary based on the type and size of the business as well as their usage of gas or electricity.[50] It is unclear what the rate increases will be for PG&E's largest electricity users, those with demands over 1,000 kW, which include industrial facilities.

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.[51] It would be prudent 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.

California is doing so by planning to dismantle several hydroelectric dams in the northern part of the state, preserve environmental rules that make it nearly impossible to build new power plans – even the least harmful ones powered by natural gas – and closing nuclear plants even though they produce no carbon emissions. These production-limiting actions, including more reliance on less-reliable solar and wind energy, mean an increasing amount of electricity has to be imported from other states at considerable cost.

Considering such factors, it would not be surprising if a company in this decade would echo what Mike St. Amand, owner of EDM Laboratories Inc. said a decade ago when relocating his company from Los Alamitos in Orange County to Texas (an example of when a headquarters and manufacturing relocation occur simultaneously): “Electricity cost me $3,000 a month in California. Last month running the air conditioning full time [in Corpus Christi] cost $800.”[52]

9. Quality of Life in California

Elected officials and many in the media assert that California remains the land of opportunity while ignoring business migrations and the challenges households face in urban areas. A recent UCSD survey is being cited as evidence that the California dream remains alive. Yet digging deeper into the survey shows Californians have a realistic assessment of the state’s challenges. Lee Ohanian wrote: “Virtually every major California media source reported [in July 2021] that a new UC San Diego study concludes that there is no California exodus, and that most Californians are happy and believe the ‘California Dream’ remains in reach for them and their children. . . . Good news, yes? Well, no. Not at all. Look into the survey a bit deeper and you will see about as large a disconnect as one can imagine between the publicized answers and how survey respondents compared California to other states on a number of detailed quality-of-life questions. When asked about out-of-state job prospects, cost of living, housing, overall quality of life, taxes, schools, and the quality of government services, the majority answered that every one of these categories would be better outside of California. Every single one. 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.[53]

Last year, Texas gained the largest number of residents, nearly 374,000, according to U.S. Census Bureau 2020 population estimates.[54] A major reason 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, which led to a headline that said, “One symptom of California’s housing crisis? State agency says someone making

$200K deserves house-buying help."[55] That 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."[56] While Covid-19 influenced some of the factors, it's nonetheless true that such motivations have appeared long before the pandemic.

When comparing markets, affordability requires consideration of both house *prices* and *incomes*. The Demographia International Housing Affordability Survey of 2021 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 affordability studies issued over the last 17 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 2021 edition rates affordability for the third quarter of 2020. Among its findings are that the year 2020 involved material setbacks, mostly due to the impact of the pandemic, which has led to a home-buying boom in some areas while suppressing incomes. Affordability deteriorated by more than 1.0 median multiple points in just one year – the equivalent of one year's pre-tax median household income in San Jose and San Francisco. The deterioration was from 0.5 to 1.0 – six months of household income in San Diego.

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."[57]

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 15, below:

Table 15: Demographia Housing Affordability Ratings

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 12 most severely unaffordable areas include 7 in California with Sacramento being the "least of the worst," followed by Fresno, Riverside-San Bernardino, San Diego, Los Angeles and tied for last place are ultra-costly San Jose and San Francisco, as shown in Table 16.[58]

Table 16: U.S. Housing Markets Most Affordable to Least Affordable										
Median Multiple (MM) Based on Median House Price/Median Household Income for Q3 2020										
Rank	**Metropolitan Market**	**MM**		**Rank**	**Metropolitan Market**	**MM**		**Rank**	**Metropolitan Market**	**MM**
1	Pittsburgh, PA	2.6		19	Birmingham, AL	3.9		36	Washington, DC-VA-MD-WV	4.6
1	Rochester, NY	2.6		19	Minneapolis-St. Paul, MN-WI	3.9		39	Salt Lake City, UT	4.7
3	Buffalo, NY	2.9		19	Philadelphia, PA-NJ-DE-MD	3.9		40	Orlando, FL	4.9
4	St. Louis,, MO-IL	3.0		19	Raleigh, NC	3.9		40	Providence, RI-MA	4.9
5	Tulsa, OK	3.1		23	Chicago, IL-IN-WI	4.0		42	Las Vegas, NV	5.5
6	Cleveland, OH	3.2		23	Houston, TX	4.0		43	Sacramento, CA	5.6
6	Oklahoma City, OK	3.2		25	Milwaukee, WI	4.1		44	Fresno, CA	5.7
8	Cincinnati, OH-KY-IN	3.3		25	New Orleans. LA	4.1		44	Riverside-San Bernardino CA	5.7
8	Grand Rapids, MI	3.3		25	Richmond, VA	4.1		46	Denver, CO	5.8
10	Hartford, CT	3.4		28	Baltimore, MD	4.2		47	New York, NY-NJ-PA	5.9
11	Atlanta, GA	3.6		28	Memphis, TN-MS-AR	4.2		47	Portland, OR-WA	5.9
11	Detroit, MI	3.6		28	Nashville, TN 4.2	4.2		49	Boston, MA-NH	6.1
13	Indianapolis. IN	3.7		31	Austin, TX	4.3		50	Miami, FL	6.3
13	Louisville, KY-IN	3.7		31	Dallas-Fort Worth, TX	4.3		51	Seattle, WA	6.6
13	San Antonio, TX	3.7		31	Jacksonville, FL	4.3		52	San Diego, CA	8.0
13	Va. Beach-Norfolk, VA-NC	3.7		31	Tampa-St. Petersburg, FL	4.3		53	Los Angeles, CA	8.9
17	Columbus, OH	3.8		31	Tucson, AZ	4.3		54	Honolulu, HI	9.1
17	Kansas City, MO-KS	3.8		36	Charlotte, NC-SC	4.6		55	San Jose, CA	9.6
				36	Phoenix, AZ	4.6		55	San Francisco, CA	9.6
Source: Demographia International Housing Affordability Survey of 2021										

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.[59]

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 116.4 means that prices in the state average 16.4 percent higher than the U.S. average. In a hypothetical case where a company is considering competing sites in California and another state to locate a facility – and was concerned about the cost-of-living for employees – the RPP difference would lend weight to opt 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. 49 means that the cost of living is higher only in Hawaii, as shown in Table 17, below:

Table 17: Regional Price Parities by State										
Rank	**U.S. = 100**			**Rank**	**U.S. = 100**			**Rank**	**U.S. = 100**	
1	Mississippi	84.4		17	New Mexico	91.1		34	Delaware	99.4
2	Arkansas	84.7		18	South Carolina	91.5		35	Florida	101.0
3	Alabama	85.8		19	North Carolina	91.7		36	Rhode Island	101.3
4	West Virginia	87.1		20	Wisconsin	91.9		36	Virginia	101.3
5	Oklahoma	87.2		21	Idaho	92.2		38	Colorado	101.9
6	Kentucky	87.4		22	Michigan	92.3		39	Oregon	102.2
7	South Dakota	87.8		23	Wyoming	92.8		40	Vermont	103.1
8	Louisiana	87.9		24	Georgia	93.2		41	Connecticut	105.0
9	Ohio	88.4		25	Montana	93.5		42	Alaska	105.1
10	Indiana	88.7		26	Arizona	96.3		43	New Hampshire	106.5
10	Missouri	88.7		27	Texas	96.5		44	Maryland	107.7
12	Iowa	89.0		27	Utah	96.5		45	Washington	108.4
13	Kansas	89.2		29	Pennsylvania	97.0		46	Massachusetts	110.4
14	North Dakota	89.3		30	Illinois	97.4		47	New Jersey	116.0
15	Nebraska	89.5		30	Nevada	97.4		48	New York	116.3
16	Tennessee	89.7		32	Minnesota	98.0		49	California	116.4
				33	Maine	99.3		50	Hawaii	119.3
Latest available information from the U.S. Dept. of Commerce, Bureau of Economic Analysis, last updated on Dec. 15, 2020, which is for 2019										

Economic Outlook

To determine the economic outlook in a state, a helpful analysis is the Economic Outlook Ranking by the American Legislative Exchange Council. It is a forecast based on a state's standing in 15 policy variables and how each is influenced by state lawmakers. A key observation is that "Generally speaking, 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."[60] California ranks No. 45, as shown in Table 18.

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

10. California Adds Millions to Incentives Instead of Cutting 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.[61]

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."[62]

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. Five states lowered corporate income tax rates for 2021 – Arkansas, Colorado, Indiana, Iowa and Mississippi.[63]

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."[64]

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.

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]."[65] 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 stay 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:[66] 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.[67]

Overall, during the twelve months leading up to and including June 2021, the state has granted $278.8 million in tax credits, as shown in Table 19 (only credits worth $1 million or more are listed).[68]

Table 19: California Tax-Credit Incentive Awards by Company Approved June 18, 2020 to June 17, 2021			
Name	**($ Millions)**	**Name**	**($ Millions)**
Microsoft Corp.	$35.0	BFTV LLC	$2.0
Relativity Space, Inc.	$30.0	Kubota Tractor Corp.	$2.0
Lockheed Martin Corp.	$29.8	CIVIC Financial Services LLC	$1.8
Better Holdco, Inc.	$25.0	AgLand Renewables LLC	$1.7
Cue Health, Inc.	$20.0	Juvo Plus, Inc.	$1.5
Cepheid	$20.0	Sazerac Company, Inc.	$1.5
NBCUniversal LLC	$20.0	L3 Applied Technologies, Inc.	$1.5
Atieva USA, Inc.	$18.0	Piercan USA, Inc.	$1.5
Zoom Video	$12.5	Openpath Security, Inc.	$1.4
In-N-Out Burgers	$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
Dreyer's Grand Ice Cream, Inc.	$3.6	The Pape Group, Inc.	$1.1
EnergySource Minerals LLC	$3.5	RDM Industries, Inc.	$1.0
Nongshim Holdings USA, Inc.	$3.5	Steeped, Inc.	$1.0
Fortress North America, Inc.	$2.4	ByFusion Global, Inc.	$1.0
Ernie Ball, Inc.	$2.0	Cokeva, Inc.	$1.0
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 20 provides a small sampling of recipients in 2018 during Gov. Jerry Brown's Administration.

Table 20: Sample Prior-Year California Tax-Credit Incentive Awards			
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.[69] Its initial funding is $150 million,[70] 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, [71] to boost the existing $330 million in tax credits to $360 million annually.[72] 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."[73]

All are part of a program that comprises an unprecedented 43 grant or incentive programs.[74] 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.[75] The overall California budget for 2021-2022 totaled $262.6 billion.[76]

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 loans[77]

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.[78]

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 their staff, it couldn't justify the cost. San Francisco waived the payroll tax for all new jobs Twitter creates for six years.[79]

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 received 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.[80]

Without incentives being offered by California and its local jurisdictions, the occurrences of California headquarters departures would likely be much 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.[81]

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 revised 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 location[82] 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.[83]

- Cinépolis USA relocated its headquarters from Los Angeles to Addison, near Dallas. The company did not receive any economic incentives for the move, rather chose Addison based on its amenities.[84]
- ZipRecruiter selected Tempe, Arizona to expand instead of Santa Monica. Tempe didn't provide any incentives to the company.[85]
- 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.[86]

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 and the result is 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.

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.[87] 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 a former employee 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.[88] Without that phone call from a former employee, 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: A State Whose Leadership Is Unwilling to Reform

This paper has documented California business headquarter relocations between 2018 and mid-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. Several commentators clearly summarize the positions of California policymakers. Dale Buss is a writer for *Chief Executive* magazine and an astute observer of business conditions in the different 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."[89]

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."[90]

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."[91] *The Wall Street Journal* responded: "California's problem is that smart people have figured out they can make it better elsewhere."[92]

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.[93]

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.[94]

Also, people are joining companies in leaving California. Most recently, David L. Bahnsen, a Newport Beach-based financial advisor, author, and observer of California's peculiarities, 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.[95]

Indications are that California's business environment will continue to worsen. The only question is, "To what degree?"

Appendix A: Company Headquarters that Left California Jan 1, 2018 - June 30, 2021

Company Headquarters that Left California for Other States from Jan 1, 2018 through June 30, 2021		
Company	**California Location**	**Destination Location**
240 Tech LLC (HQ2)	Orange > Santa Ana	Texas > Cedar Park
8VC	San Francisco > San Francisco	Texas > Austin
Aatonomy	San Francisco > San Francisco	Texas > Houston
Abyss Creations	San Diego > San Marcos	Nevada > Las Vegas
Adlucent	Orange > Irvine	Texas > Austin
Advanex Americas	Orange > Cypress	Tennessee > White House
Advocado (U-Turn)	Los Angeles > Los Angeles	Missouri > St. Louis
AEND Industries	Orange > Huntington Beach	Texas > Hutto
Aerojet-Rocketdyne Def. Unit	Sacramento > Sacramento	Alabama > Huntsville
Aeromax Industries, Inc.	Los Angeles > Los Angeles	Texas > Fort Worth
AFC	Butte > Oroville	Idaho > Weiser
Affirm, Inc.	San Francisco > San Francisco	Pennsylvania > Pittsburgh
AgencyKPI Inc.	Los Angeles > Los Angeles	Texas > Austin
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
Alfresco Software Inc.	San Mateo > San Mateo	Massachusetts > Wellesley
Align Technologies	Santa Clara > San Jose	Arizona > Tempe
All Web Leads	San Francisco > San Francisco	Texas > Austin
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 > Anaheim	Texas > Round Rock
Andamiro USA Corp.	Los Angeles > Gardena	Texas > Irving
Anomalie	San Francisco > San Francisco	Arizona > Scotsdale
Anpac Bio-Medical	Sacramento > Sacramento	Pennsylvania > Philadelphia
Apple (America's Headquarters)	Santa Clara > Cupertino	Texas > Austin
Aqua Metals, Inc.	Alameda > Alameda	Nevada > Reno
Arctic Wolf Networks Inc.	Santa Clara > Sunnyvale	Minnesota > Eden Prairie
Arcturus Aerospace	Ventura > Oxnard	Arkansas > Little Rock
ASGN Inc	Los Angeles > Calabasas	Virginia > Henrico County
Assertio Therapeutics / Depomed	Alameda > Newark	Illinois > Lake Forest
Astura Medical	San Diego > Carlsbad	Texas > Irving
AtScale	San Mateo > San Mateo	Massachusetts > Boston
Aviat Networks Inc.	Santa Clara > Milpitas	Texas > Austin
Axiom Memory Solutions, Inc.	Orange > Irvine	Texas > Austin
Baswood Inc.	Santa Barbara > Santa Barbara	Texas > Allen
Bechtel Group	San Francisco > San Francisco	Virginia > Reston
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 Buffalo (U-Turn)	Several California Communities	Arizona > Goodyear

Bonelli Doors + Windows	San Francisco > San Francisco	Arizona > Mesa
BroadSpot Imaging Corp.	Alameda > Emeryville	New Mexico > Albuquerque
Callaway / Jack Wolfskin	San Diego > Carlsbad	Utah > Salt Lake City
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 > 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
Coinbase Global Inc.	San Francisco > San Francisco	No longer have HQ/Remote
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
Crossfit LLC	Santa Cruz > Scotts Valley	*Colorado > Boulder*
Cryoport, Inc.	Orange > 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 > 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 > Irvine	Texas > Austin
DJO Global	San Diego > Carlsbad	Texas > Lewisville
Dole Food Co.	Los Angeles > Los Angeles	North Carolina > Charlotte
Edelbrock Group	Los Angeles > Torrance	Mississippi > Olive Branch
Educational Media Foundation	Placer > Rocklin	Tennessee > Nashville
EnerBlu Inc.	Riverside > Riverside	Kentucky > Lexington
Energy Service Experts	San Francisco > San Francisco	Texas > Houston
Even	Alameda > Oakland	North Carolina > Raleigh
F45 Training Holdings 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
Firefly Aerospace	San Mateo > Menlo Park	Texas > Cedar Park
First Foundation (bank)	Orange > Irvine	Texas > Dallas
Flannery Trim	Los Angeles > San Fernando	Texas > Fort Worth

Flatirons Solutions	Orange > Irvine	Colorado > Boulder
FlexMet / 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
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
Green Dot	Los Angeles > Pasadena	Texas > Austin
Greenlight Medical	San Francisco > San Francisco	Tennessee > Nashville
Grinds LLC	Alameda > Oakland	Indiana > Westfield
GrowthPlug	Santa Clara > San Jose	Oregon > Beaverton
Guardian Bikes	Orange > Irvine	Texas > Austin
GuineaDad	Los Angeles > Los Angeles	Nevada > North Las Vegas
H.E.R.O.S. Inc.	Los Angeles > Santa Clarita	Arizona > Chandler
Hangar Technology	Los Angeles > Santa Monica	Texas > Austin
Haptx (fka Axon VR)	San Luis Obispo > San Luis Obispo	Washington > Redmond
Harmonate	Santa Clara > San Jose	Texas > Austin
Harrow Health	San Diego > San Diego	Tennessee > Nashville
Healthpeak	Orange > Irvine	Colorado > Denver
Helicopter Engine Repair Overhaul	Los Angeles > Valencia	Arizona > Chandler
Hewlett Packard Enterprise (HPE)	Santa Clara > San Jose	Texas > Houston
Honor Home Care (HQ2)	Contra Costa > Concord	Texas > Austin
HST Pathways	Contra Costa > Lafayette	Tennessee > Nashville
Huckleberry Insurance	San Francisco > San Francisco	New York > New York
Incora (fka Wesco)	Los Angeles > Valencia	Texas > Fort Worth
IT Avalon	Contra Costa > Brentwood	Nevada > Reno
JC Ford Co.	Orange > 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	Orange County > Lake Forest	Tennessee > Franklin
Keen Horse Training	Los Angeles > Arcadia	Texas > Burleson
Kettle & Fire Bone Broth	San Francisco > San Francisco	Texas > Austin
Kimwoven	San Diego > SanDiego	Oklahoma > Tulsa
Krave Jerky	Sonoma > Sonoma	Texas > Austin
KVP International Inc.	San Bernardino > Chino	Texas > McKinney
Landing	San Francisco > San Francisco	Alabama > Birmingham
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 > SanDiego	Texas > Houston

Made in Space (aka Redwire)	Santa Clara > Mountain View	Florida > Jacksonville
Markaaz Inc.	Los Angeles > Los Angeles	Texas > Austin
Mary's Gone Crackers	Butte > Chico	Nevada > Reno
Master Manufacturimg 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 > Cypress	Tennessee > Franklin
Montrose Environmental Group	Orange > Irvine	Arkansas > North Little Rock
Moov Technologies	San Francisco > San Francisco	Arizona > Tempe
Musk Foundation	San Mateo > Menlo Park	Texas > Austin
Mutual UFO Network (MUFON)	Orange > Irvine	Ohio > Cincinnati
Narrow Path Advisors	Nev. County > Grass Valley	Arkansas > Gravette
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
NinjaRMM LLV	San Francisco > San Francisco	Texas > Austin
Nissei America	Orange > Anaheim	Texas > San Antonio
NortonLifeLock / Symantec	Santa Clara > Mountain View	Arizona > Tempe
NuZee, Inc.	San Diego > Vista	Texas > Plano
O.W. Lee	San Bernardino > Ontario	Texas > Comfort
OKIN BPS	Santa Clara > Mountain View	Texas > San Antonio
Opicity Inc.	Santa Clara > Santa Clara	Texas > Austin
OPSWAT	San Francisco > San Francisco	Florida > Tampa
Optimal Elite Management LLC	Ventura > Oxnard	Texas > Grand Praire
Oracle	San Mateo > Redwood City	Texas > Austin
OriginClear Inc.	Los Angeles > Los Angeles	Texas > McKinney
Outdoorsy	San Francisco > San Francisco	Texas > Austin
Pabst Brewing Co.	Los Angeles > Los Angeles	Texas > San Antonio
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
PayCertify	Santa Clara > San Jose	Nevada > Reno
PerceptIn	Santa Clara > Santa Clara	Indiana > Fishers
Phosphorus Cybersecurity	San Diego > Carlsbad	Tennessee > Nashville
Pinpoin (not Pinpoint)	Santa Clara > Mountain View	Texas > Austin
Pipe Technologies	Los Angeles > Los Angeles	Florida > Miami
Plumas Bancorp	Plumas > Quincy	Nevada > Reno
Precision Swiss Products	Santa Clara > Milpitas	North Carolina > Leland

Premier Displays & Exhibits Inc.	Orange > 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)	Unknown > Unknown	Colorado > Denver
Puroast Coffee Co. Inc.	Yolo > Woodland	North Carolina > High Point
QQE Summit LLC	Alameda > Newark	Ohio > Dayton
Quality Custom Distribution	Orange > Irvine	Texas > Frisco
QuestionPro	San Francisco > San Francisco	Texas > Austin
Quetico, LLC	San Bernardino > Chino	Arizona > Goodyear
RaceChip	Orange > Brea	Florida > Fort Walton Beach
Raiders (NFL)	Alameda > Alameda	Nevada > Henderson
Real Estate Exchange (REX)	Los Angeles > Los Angeles	Texas > Austin
Regroup Mass Notification	San Francisco > San Francisco	Texas > Dallas
Resonant	Santa Barbara > Santa Barbara	Texas > Austin
ReTech Systems LLC	Mendocino > Ukiah	New York > Buffalo
Revance Therapeutics Inc.	Alameda > Newark	Tennessee > Nashville
rfXcel	Contra Costa > San Ramon	Nevada > Reno
RiceBran Technologies	Sacramento > Sacramento	Texas > Houston
RJR Technologies	Alameda > Oakland	Arizona > Phoenix
Rooster Teeth	Los Angeles > Los Angeles	Texas > Austin
Saleen Performance Parts	Riverside > Corona	Texas > Round Rock
Scollar	Sonoma > Santa Rosa	Missouri > Kansas City
Seat Concepts	Riverside > San Jacinto	Idaho > Caldwell
ShiftPixy Inc.	Orange > 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
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 > SanDiego	Texas > Houston
Smartrise Engineering	Sacramento > Sacramento	Texas > Irving
Smarty-Pits	Kern > Tehachapi	Oregon > Bend
Snowflake	San Mateo > San Mateo	Montana > Bozeman
Solvd Health	San Diego > Carlsbad	Illinois > Chicago
Sonim Technologies Inc.	San Mateo > San Mateo	Texas > Austin
Space Channel Inc.	Los Angeles > Los Angeles	Texas > Brownsville
Springbox	San Francisco	Texas > Austin
Stache	Santa Clara > Palo Alto	Tennessee > Nashville
StemExpress	Sacramento > Sacramento	Nevada > Reno
Summit Stoneworks	Orange > Anaheim	Texas > Buda
Sunhaven Home	Los Angeles > Los Angeles	Texas > Houston

Suzuki Marine USA	Orange > 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
The Glock Store - HQ + Manu.	San Diego > San Diego	Tennessee > Nashville
The Icee Co.	San Bernardino > Ontario	Tennessee > La Vegne
theBalm	Alameda > Alameda	Nevada > Reno
Therabody (HQ2)	Los Angeles > Los Angeles	Texas > Dallas
Toastmasters International	Orange > Rancho Santa Margarita	Colorado > Englewood
TOCA Social	Unknown > Unknown	Texas > Dallas
Truebill	San Francisco > San Francisco	Maryland > Silver Spring
TV4 Entertainment	Los Angeles > Venice	Florida > Orlando
U.S. Pulmonary Hypertension	San Mateo > So. San Franscisco	New Jersey > Titusville
Universal Electronics, Inc.	Orange > 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 > San Clemente	Minnesota > Edina
Varo Money Inc.	San Francisco > San Francisco	Utah > Salt Lake City
VF Corporation	Alameda > Alameda	Colorado > Denver
Viavi Solutions	Santa Clara > San Jose	Arizona > Chandler
Vio Security	Los Angeles > Woodland Hills	Texas > Irving
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
Wiley X	Alameda > Livermore	Texas > Frisco
William Glen Inc.	Sacramento > Sacramento	Texas > Weatherford
Win-Win	Alameda > Oakland	Texas > Houston
Wonolo (HQ2)	San Francisco > San Francisco	Tennessee > Nashville
Woodward Inc.	Los Angeles > Duarte	Colorado > Fort Collins
WP Engine	San Mateo > Menlo Park	Texas > Austin
Xcelaero Inc.	San Luis Obispo > San Luis Obispo	Louisiana > Baton Rouge
Xero	San Francisco > San Francisco	Colorado > Denver
XoJet Aviation	Sacramento > Sacramento	Florida > Fort Lauderdale
Yamaha Motor Corp.	Orange > Cypress	Georgia > Marietta
Yeezy	Los Angeles > Calabasis	Wyoming > Cody
Yoshi	San Francisco > San Francisco	Tennessee > Nashville
Zeiss Vision Care	San Diego > San Diego	Kentucky > Hebron
Zoho, Inc.	Alameda > Pleasanton	Texas > Austin
Zovio, Inc.	San Diego > San Diego	Arizona > Chandler
ZVRS & Purple Comm.	Del Norte > Rockland	Texas > Austin

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