



# **CALIFORNIA COMPETITIVENESS PROJECT**

**PRELIMINARY RECOMMENDATIONS**

**February 2004**

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## California Competitiveness Project

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### PRELIMINARY RECOMMENDATIONS

**B**ain and Company, on behalf of the California Business Roundtable, recently completed a rigorous study on the competitive viability of the Golden State's business and regulatory climate. The goal of the report was to assess both the current state and the anticipated trajectory of California's competitiveness to enable the California Business Roundtable to develop a set of policy and legislative options to improve the state's competitiveness and performance in the years to come. After conducting extensive interviews with business executives, government officials, and policy experts a comprehensive list of options was generated across three areas most identified by business leaders and policy experts: **cost of business, regulatory, and asset investment**. The California Business Roundtable then subjected the policy options to the prioritization matrix to identify and prioritize a potential set recommendations. This effort produced the following recommendations in each of the areas identified.

#### *Cost of Business*

- ✓ Substantially overhaul workers' compensation system to reduce overall costs and assure seriously injured workers of their benefits. If necessary, support initiative process
- ✓ Support the referendum on the mandatory health care law (SB 2)
- ✓ Reform California's overtime law that currently requires payment of overtime after 8 hours to permit employees and employers more flexibility in work schedules
- ✓ Delay implementation of paid family leave law (SB 1661) to permit the fund to accumulate a balance that would meet expected demands and until regulations can be promulgated that are workable for employees and employers. Consider modifications of the law for small to medium employers

#### *Regulatory*

- ✓ Set ongoing performance targets related to approval times and application backlog reductions for government agencies
- ✓ Reform environmental regulation process to focus on outcomes as opposed to process
- ✓ Reform unfair business practice law (B&P Code Section 17200)
- ✓ Repeal "Sue Your Boss" law (SB 796)
- ✓ Initiate study to determine feasibility of re-engineering the CEQA process to ensure that it serves its original purpose. Focus attention on discouraging "late hits" and the development of "triggering" thresholds to remove uncertainty, and also the elimination of redundant reviews

#### *Asset Investment*

- ✓ Develop a dedicated consistent source of long-term funding that can be used to invest in building and maintaining California's infrastructure facilities and systems
- ✓ Restore manufacturer's investment credit
- ✓ Ensure adequate housing production to address housing shortage
- ✓ Encourage private investment in new electricity infrastructure
- ✓ Restore modest general fund contributions to California statewide tourism marketing efforts
- ✓ Institute modest motion picture production tax credit

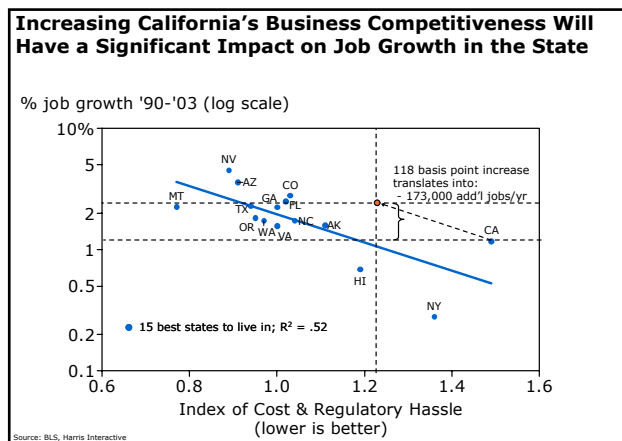
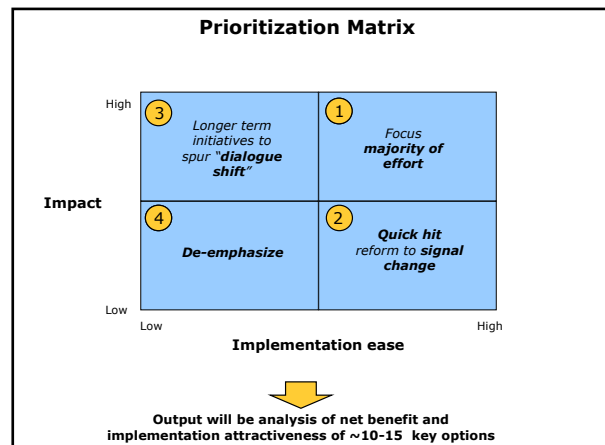
## General

- ✓ Create statewide Cost of Doing Business and Regulatory Indexes as a way of monitoring progress and providing course correction on California's competitiveness
- ✓ Consolidate state's multiple energy agencies
- ✓ Institute "Red Team" concept to help new-to-state businesses navigate regulation

## CONCLUSION: BOLD ACTION IS NEEDED

These preliminary recommendations and potentially others will be presented to the Governor and the Legislature in the coming weeks and will be broken into immediate, short-term and long-term objectives based on the prioritization matrix allowing policy makers to focus efforts on areas that will have the greatest impact and signal a new direction.

By reducing California's cost gap of doing business, as compared to other parts of the West and the nation, and reducing the regulatory hassles that are encountered by both companies seeking to do business in the state and those businesses that are native to California, the state will see some dramatic positive impacts. A renewed commitment to an economic renaissance will result in per capita income growth, high-value job growth and an improved quality of life.



## CHARTING A NEW COURSE

Perhaps the most dramatic finding of the report is that by closing just half of California's competitiveness gap the state could - without requiring the expenditure of one tax dollar:

- Add more than 173,000 additional jobs per year
- Collect an additional \$35 billion in tax revenue over a ten year period

Notwithstanding the negative findings of this report, jobs and businesses can still be saved. To accomplish this, bold legislative and regulatory actions are imperative if California is to return to its former economic brilliance and luster. The inherent risk of not enacting real change and maintaining a "business as usual" approach to the economy will result in the continued erosion of the California way of life and the standard of excellence for which the Golden State is so well known.