

California, ranked as least business-friendly state, blows past all others in job creation

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If you think California is a tough place to do business, you're not alone.

CALIFORNIA LANDS AT THE BOTTOM

A new report from CNBC confirms what scores of companies have long suspected — California is the least business-friendly state in the nation.

CNBC's 10th annual America's Top States for Business study places the Golden State at the bottom of the list for 2016. California was also found to be one of the costliest places to do business, with a favorability ranking of 49 out of 50.

Those figures don't surprise Clay Harrison, co-owner of Vidcam, a Burbank business that rents cameras, lighting and audio equipment to the TV industry.

"The thing that bothers me the most are the local taxes," he said. "If you buy equipment here in L.A. County they want money. If you buy it from outside the state they want money. And you have to fill out form after form to do business here. The city also has a gross receipts tax but they're not giving you anything in return. All of this makes it hard to do your record keeping when you have a small business."

STATE'S EDUCATIONAL SYSTEM, INFRASTRUCTURE ALSO RANK LOW

California's educational system also ranked low on the scale, landing at 38, and the state's network of roads and bridges, waterways, rail lines and other infrastructure was ranked the 33rd worst in the nation.

STATE RANKS HIGH IN TECHNOLOGY, ACCESS TO CAPITAL

Still, California was rated second in technology and second in easy access to capital. The state's overall economy was likewise deemed the eighth healthiest in the nation.

Larry Mandell, a principal with Training Refund Group, said his company is one of the bright spots in California's otherwise difficult business climate. His Anaheim-based business helps

companies secure funding for employee training through the California Employment Training Panel. The money comes from an employment training tax of \$7 per employee, per year that is paid by employers.

“There are some programs out there that are pro-business and this is one of them,” he said. “California companies are at a disadvantage because of our schools and educational system. People are coming into the workplace who don’t have the skills necessary to really compete. The biggest benefit from our program is that people get the skills training they didn’t receive in school.”

TEXAS TOPS THE LIST IN CUMULATIVE RANKING

The CNBC report also provides cumulative rankings for how each state did over the past decade. By that measure, California ranked 36th out of the nation’s 50 states. Texas topped the list at No. 1, followed by Virginia, Utah, Colorado and North Carolina.

Hawaii landed at the bottom of the cumulative ratings, although it snagged the top spot this year in the Quality of Life category.

GOLDEN STATE LEADS THE NATION IN JOB CREATION

Economist Christopher Thornberg, a founding partner with Beacon Economics, noted last week that California’s reputation for being unfriendly to businesses hasn’t slowed the state’s forward momentum — particularly in job creation.

“You could argue that just in the last four months we have finally erased the last residuals of the Great Recession out of the labor market,” he said. “And of course California, once written off as a disaster of business unfriendliness, is continuing to lead the nation in terms of economic growth.”

Figures show California added nearly 447,000 new jobs last year, more than Texas and Florida combined.

Kim Victorine, director of operations for Plastics Plus Technology in Redlands, agreed that California’s tax climate and labor costs — including workers compensation, medical insurance and related expenses — make it difficult to do business here.

But for Plastics Plus, he said, it makes sense to stay.

“We make a slew of different medical parts that are used in hospitals and emergency rooms and we ship a lot of products to L.A. County, San Diego County and to Mexico,” he said. “We have lower shipping costs by being where we are, and we make deliveries in our own trucks.”

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