NATIONAL REVIEW

# California's Business-Climate Deniers

By John Fund
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*Oracle Corporation's headquarters in Redwood City, Calif., in 2010. (Robert Galbraith/Reuters)*

## Legions of entrepreneurs are fleeing the Golden State's high taxes and suffocating regulations.

With the news that yet another Silicon Valley software innovator, Oracle, is moving its headquarters and most of its employees to Texas, cynics are declaring that California should adopt a new state song: "All of My Ex's (Executives) Live in Texas."

Oracle joins a growing list of companies that have decamped to other states. Hewlett Packard Enterprise, descendant of one of Silicon Valley's pioneering firms, announced it was moving its Palo Alto headquarters to Austin earlier this month.

Tesla CEO Elon Musk is also moving to Austin. He plans to build a Tesla car factory there next year.

Other recent occupants of the state's job-departure lounge include Charles Schwab, Toyota, McKesson, Palantir, and Core-Mark Holding Company. The Greater Phoenix Economic Council boasts that in the next few weeks several headquarters and manufacturing operations will announce they are leaving California for Arizona.

And then there are the smaller firms. Business-site consultant Joe Vranich estimates that the Golden State's unfriendly tax and regulatory climate has prompted some 17,000 firms to leave over the past decade in whole or in part.

"This Oracle project is another huge economic-development trophy for Texas governor Greg Abbott's wall," John Boyd, a corporate site-selection consultant based in New Jersey, told the *San Francisco Business Times*. Texas has no state income tax, a much lighter regulatory touch, and a lower cost of living. Tax experts estimate that companies moving to Texas can save a minimum of 15 percent to 30 percent on their taxes.

By contrast, California's 13.3 percent top tax on personal income and capital gains is so high that Tom Siebel, one of the Bay Area's most prominent entrepreneurs, told the *Silicon Valley Business Journal* this month, "I think every responsible chief executive officer has to consider moving their company out of California. If you're not considering that, you're not fulfilling your job for your shareholders and your employees."

"Anyone who doesn't believe that this latest departure isn't a threat to California's economy is a business-climate denier," Jim Wunderman, president and CEO of the Bay Area Council, said in a statement. "We are watching the unraveling of one of the world's mightiest economies and the consequences will be devastating."

It's not as if California officials haven't been warned. A decade ago, I joined a group of California lawmakers and then-lieutenant governor Gavin Newsom on a field trip to Texas. Their goal was to hear from businesses that had left their state to set up shop in Texas.

"I don't see this as a partisan issue," Newsom, who has been governor of California since 2019, told me back then. He admitted he was "sick and tired" of hearing about the success of other states in luring businesses from the Golden State.

We all heard a parade of witnesses bemoaning California's hostile regulatory climate. A producer of the movie *Battle: Los Angeles* mourned that he was forced to shoot his film in Louisiana. Since then, the departure of entertainment jobs from California has accelerated to the point that Georgia is now called "The Hollywood of the South." As I noted then:

Andy Puzder, then the CEO of Hardee's Restaurants, said it took him six months to two years to secure permits to build a new Carl's Jr. restaurant in the Golden State, versus the six weeks it takes in Texas. And California is also one of only three states that demands overtime pay after an eight-hour day, rather than after a 40-hour week. Such rules wreak havoc on flexible work schedules based on actual need. If there's a line out the door at a Carl's Jr. while employees are seen resting, it's because they aren't allowed to help: Break time is mandatory.

Another business leader criticized the priorities of California leaders. He said teachers' unions were strangling education reform even as more and more students were graduating without basic skills. He "shook his head in wonder," I wrote, quoting his complaint that "you can have the most liberated lifestyle on the planet, but if you can't afford to put gas in your car or a roof over your head it's somewhat limited."

A defensive Gavin Newsom insisted to me at the time that he was "a pro-jobs Democrat," He told me. "My party needs to get back into the business of jobs."

How has that been going in the last decade? In 2019, CNBC ranked California dead last among states in the cost of doing business and business-friendliness categories.

With its irrational virus lockdowns — which now even ban outdoor dining — California seems destined to remain mired in economic quicksand as firms head for the nearest safe ground.

If California continues its economic decline, something Texas-sized in its ambitions may be called for — whether it's a moratorium on new business regulations or a restructuring of the state's corrupt unemployment compensation or reining in suffocating litigation. Nothing less is likely to stem the outflow of businesses and jobs from the Golden State.