



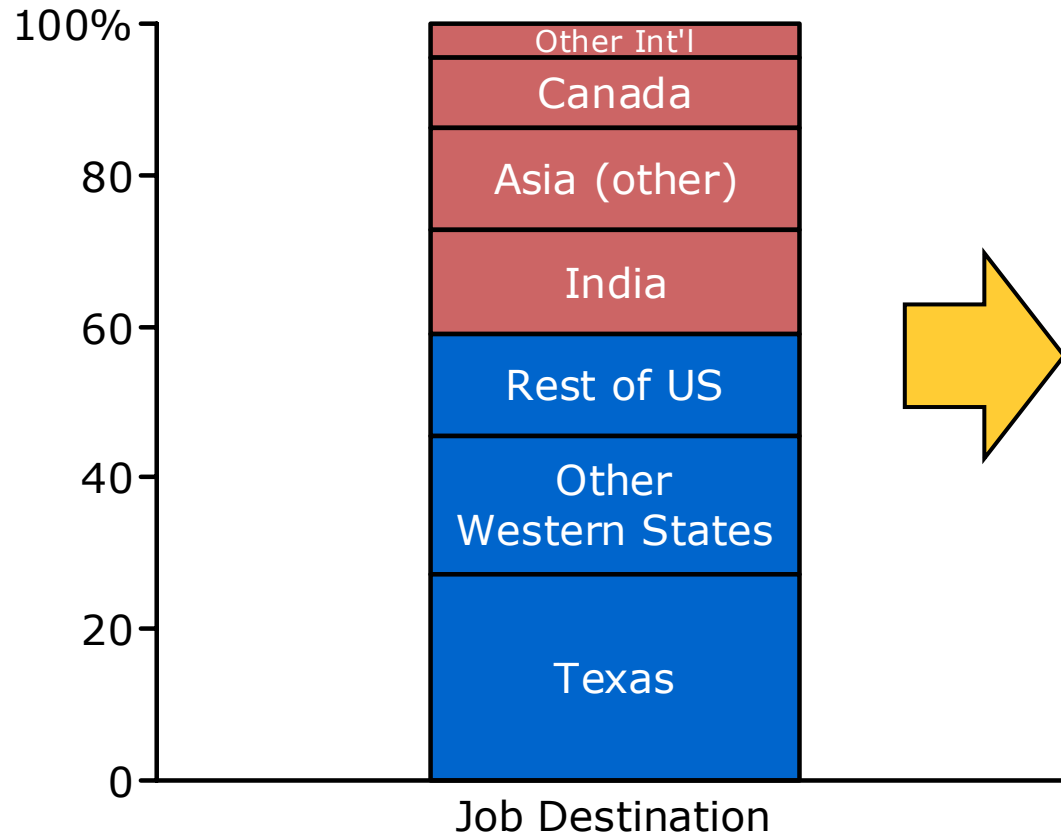
California Competitiveness Project

Selected Slides from Executive Summary

February 2004

“Offshoring” is only part of the problem

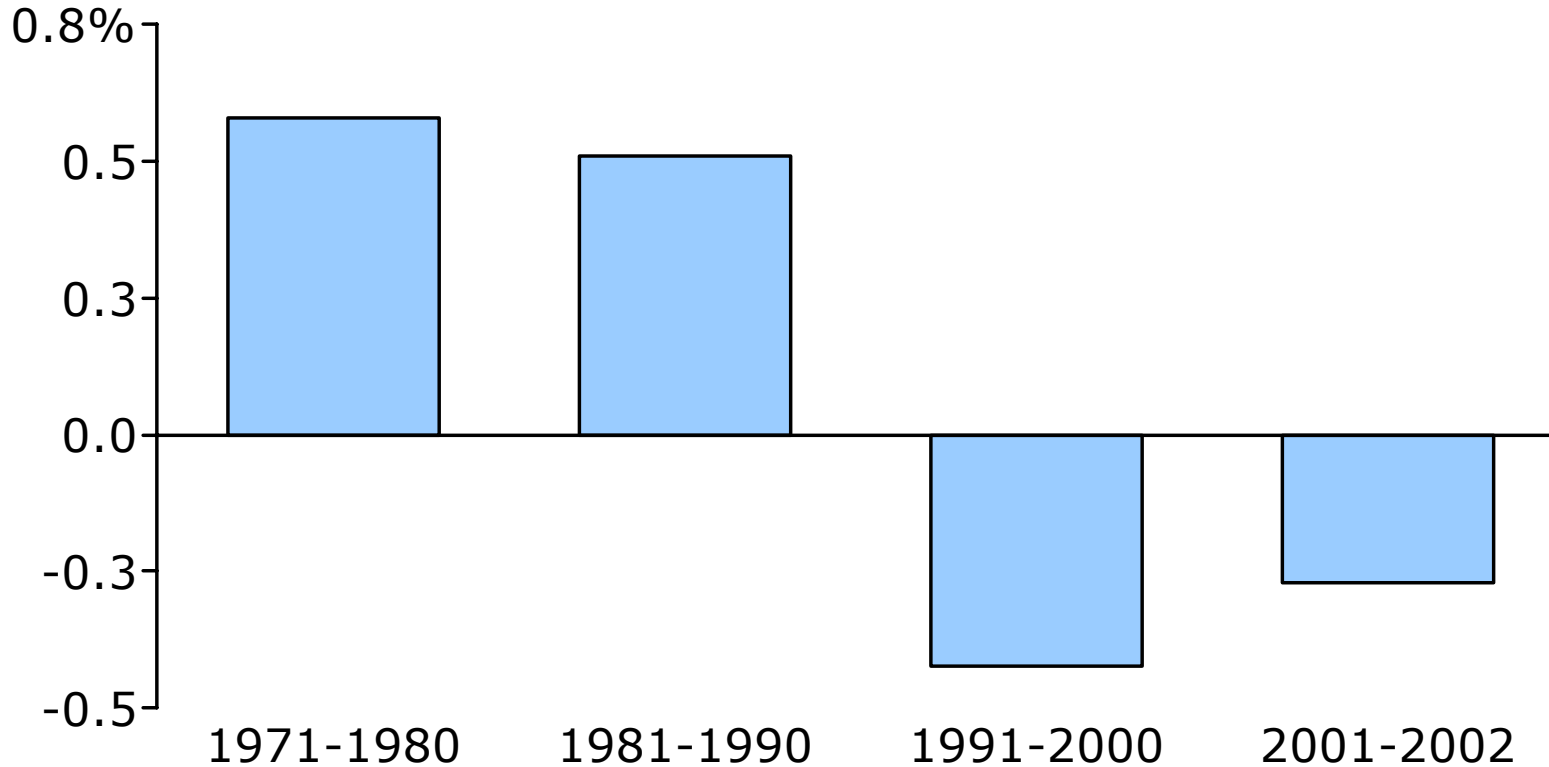
Percent of Interview Respondents



~60% of planned relocations are to destinations within the U.S. - mostly to other Western states

California's economic growth has been below average for many years

Avg Annual % Change in Per Capita -
Variance: CA GSP vs. US GDP (1996 Real dollars)

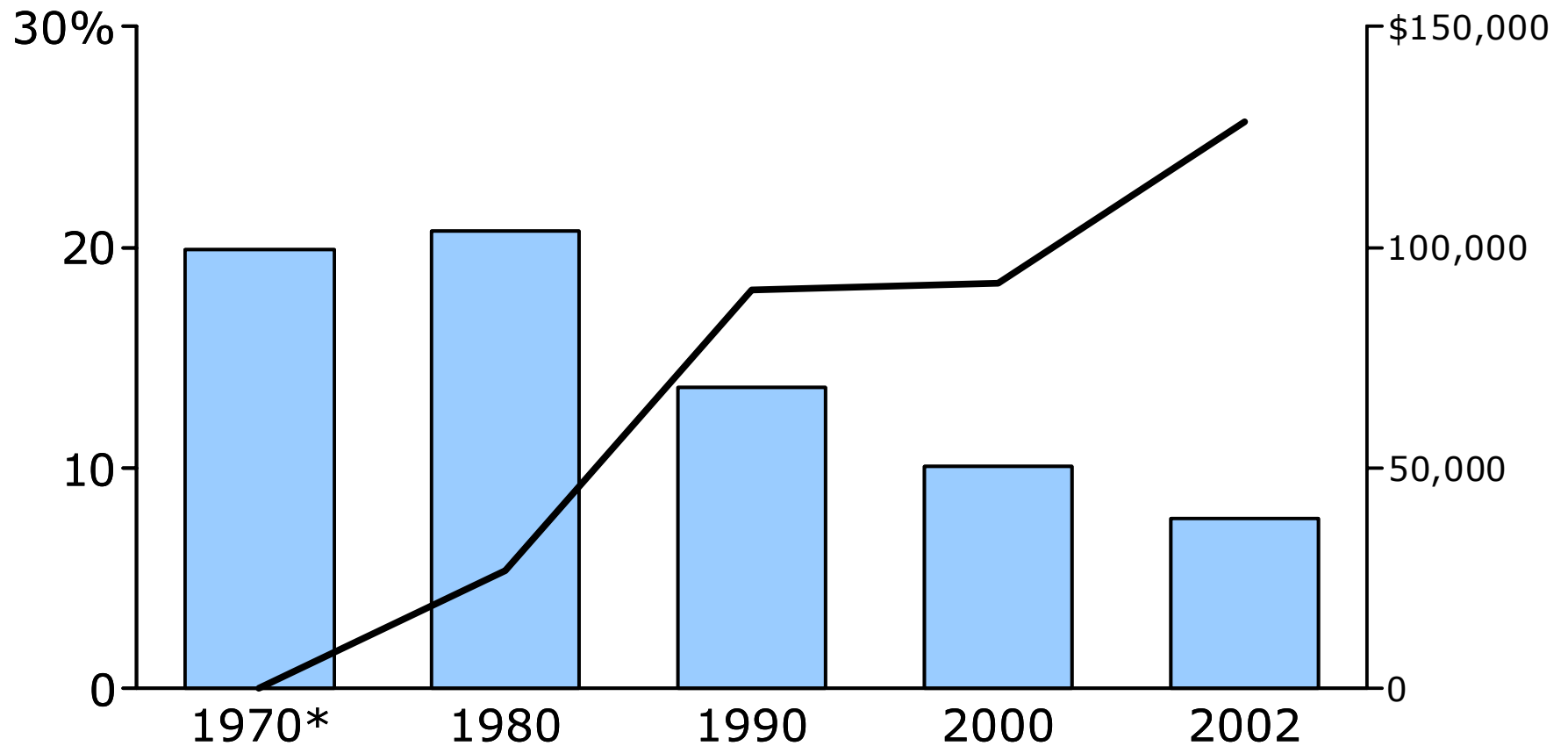


**CA's GSP growth has lagged
the US rate since 1990**

Californians' income growth advantage has eroded over past 20 years

Per capita income growth variance (CA vs. US)

Median home price variance (CA - US)

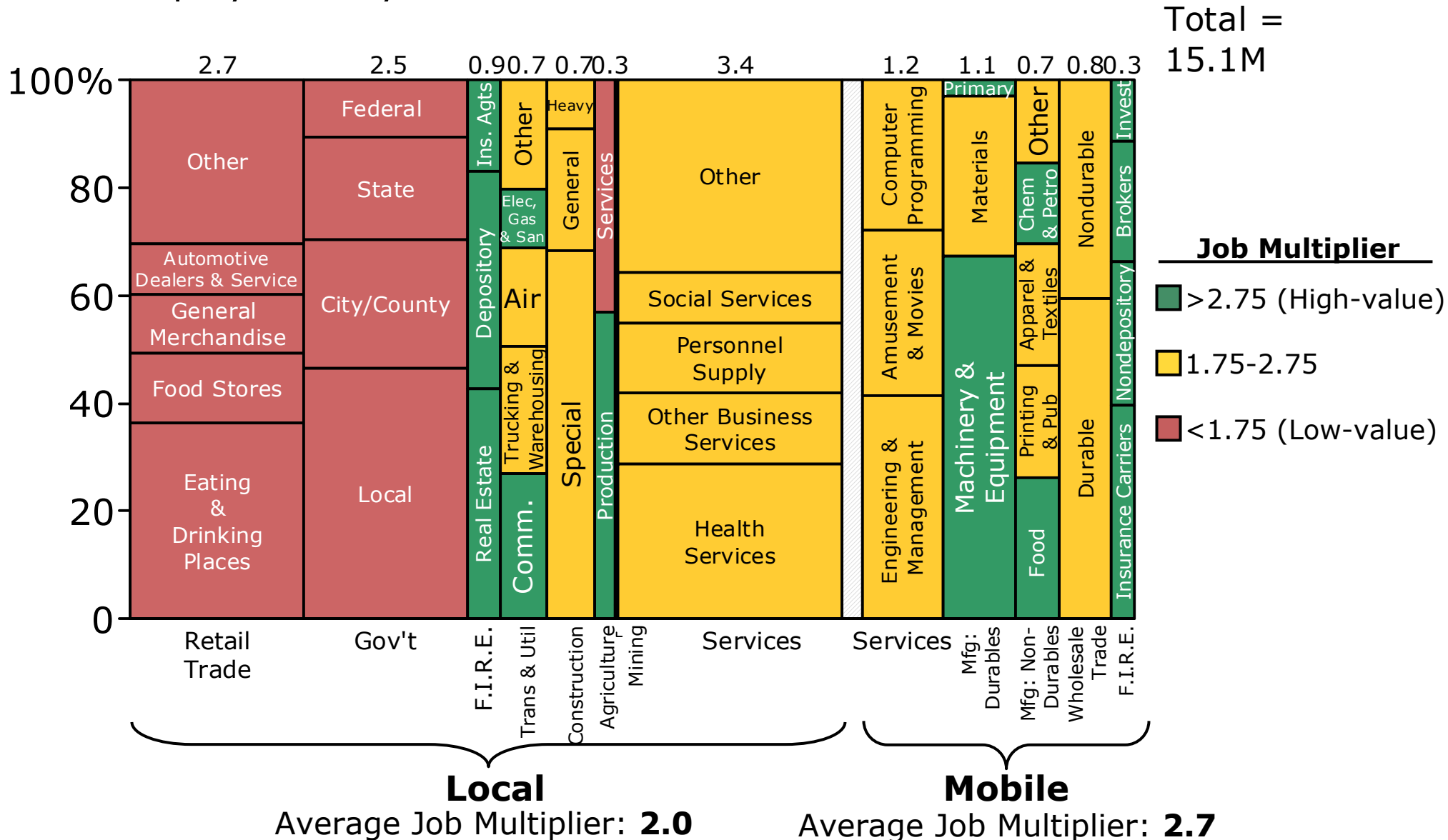


*Note: Used median home price in 1975 for 1970 due to lack of available data;
Median home price in 1975 (CA = \$30534; US = \$30258; Variance = \$276)

Source: US Census Bureau; Office of Federal Housing Enterprise Oversight; Bureau of Economic Analysis

Mobile (at-risk) sectors add 35% more jobs to the California economy

2002 Employment by Sector

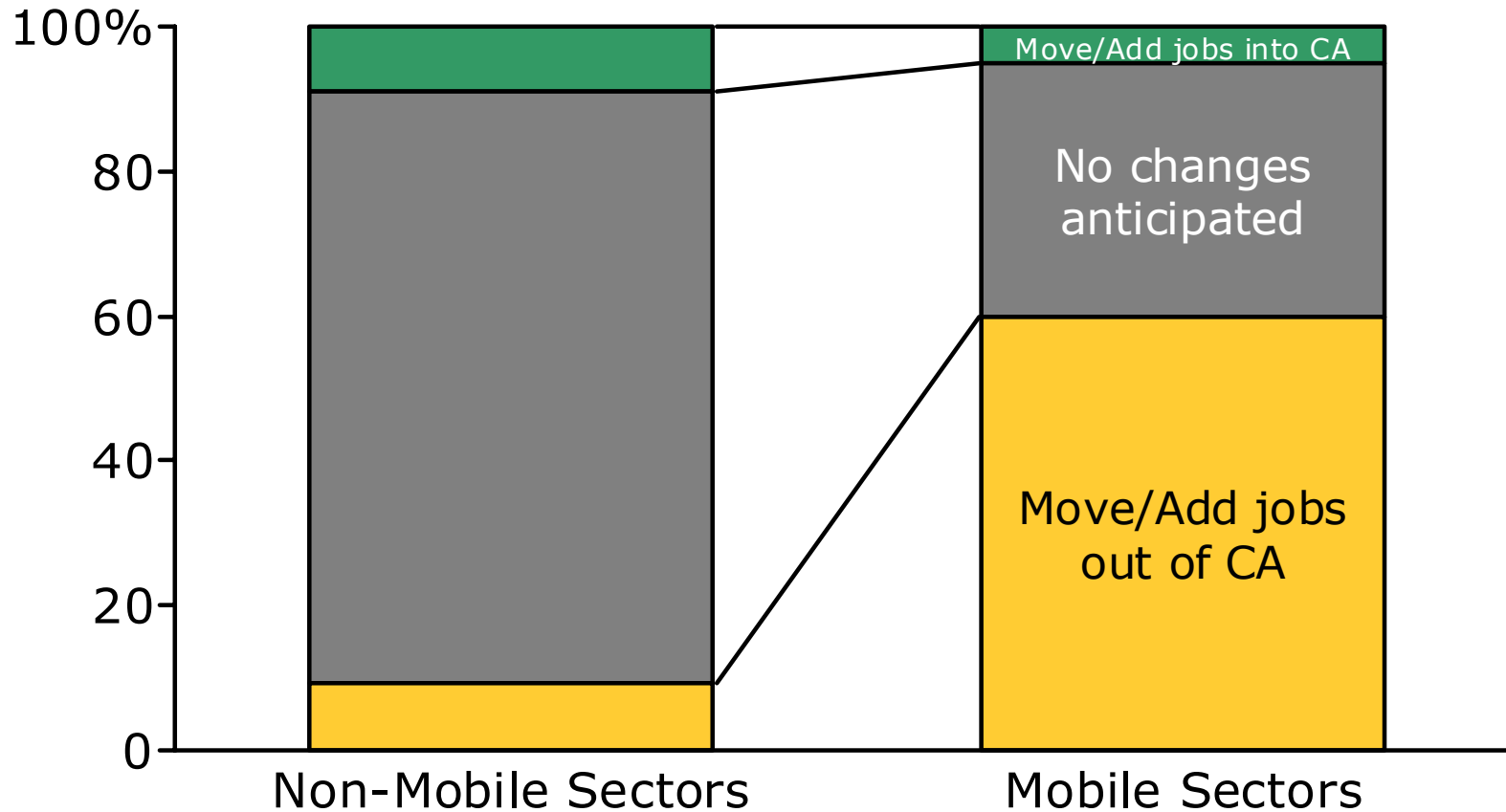


Source: Bureau of Labor Statistics; RIMS II Multipliers

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Over half of companies in mobile sectors plan to shift employment out of California

CA Job Movement (% of companies)

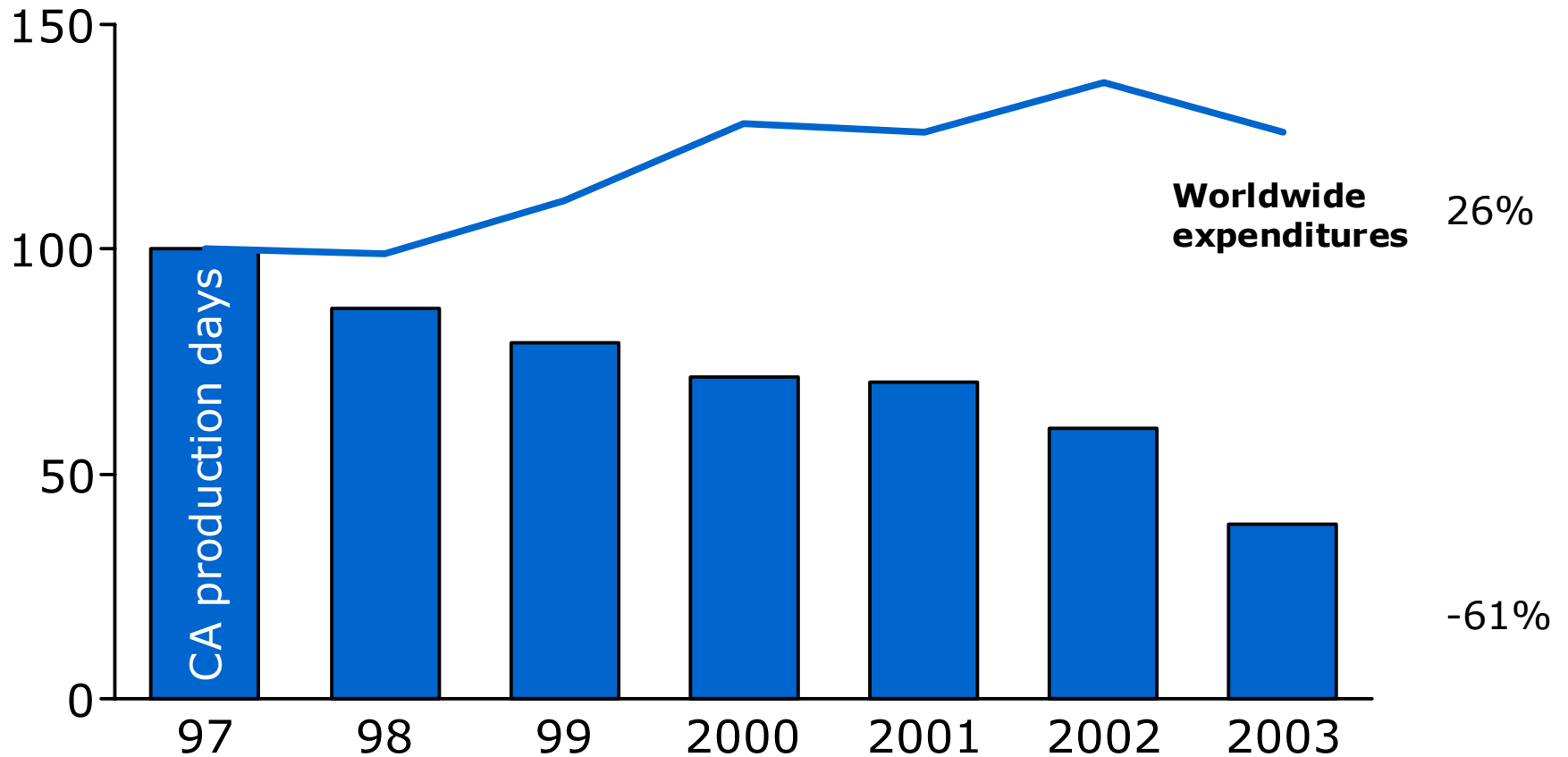


Motion picture production - the archetypal mobile sector - has been rapidly declining in California for 6 years...

ESTIMATE

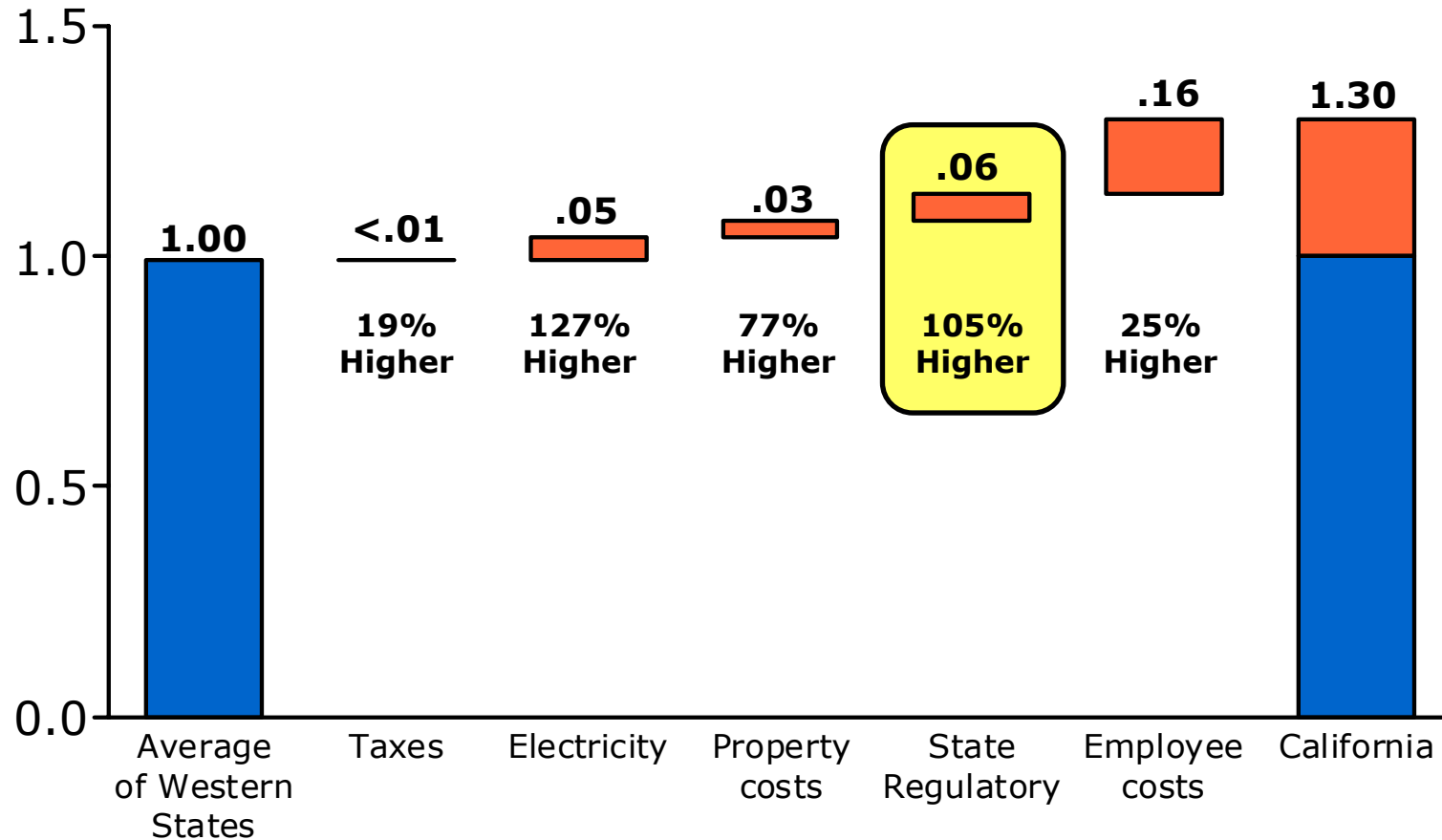
Motion Picture Production Days and Expenditures (index, 1997=100)

% Change
(97-03E)



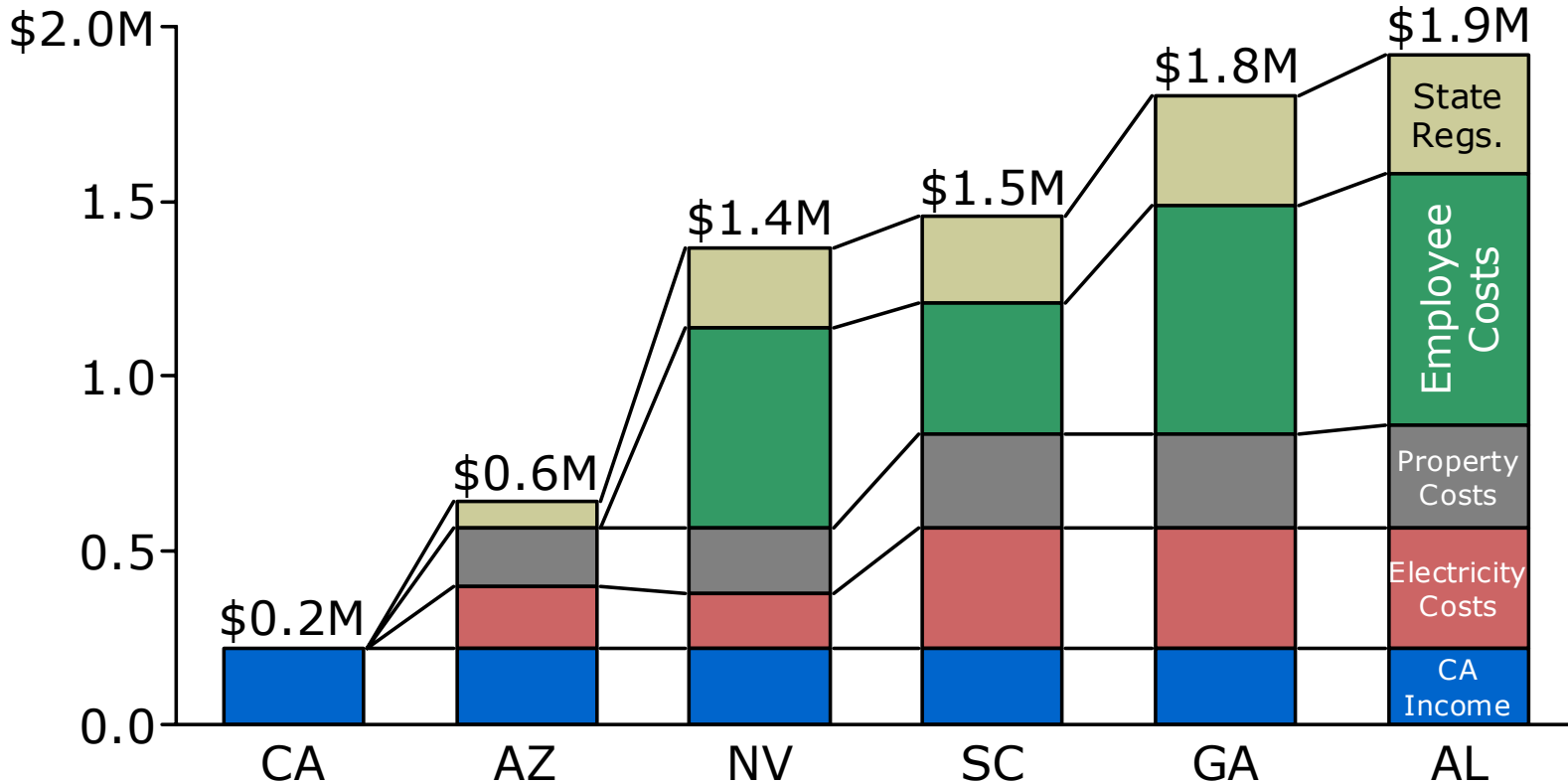
Cost of doing business in CA ~30% above Western state average

Relative cost of doing business



Small manufacturing company case study

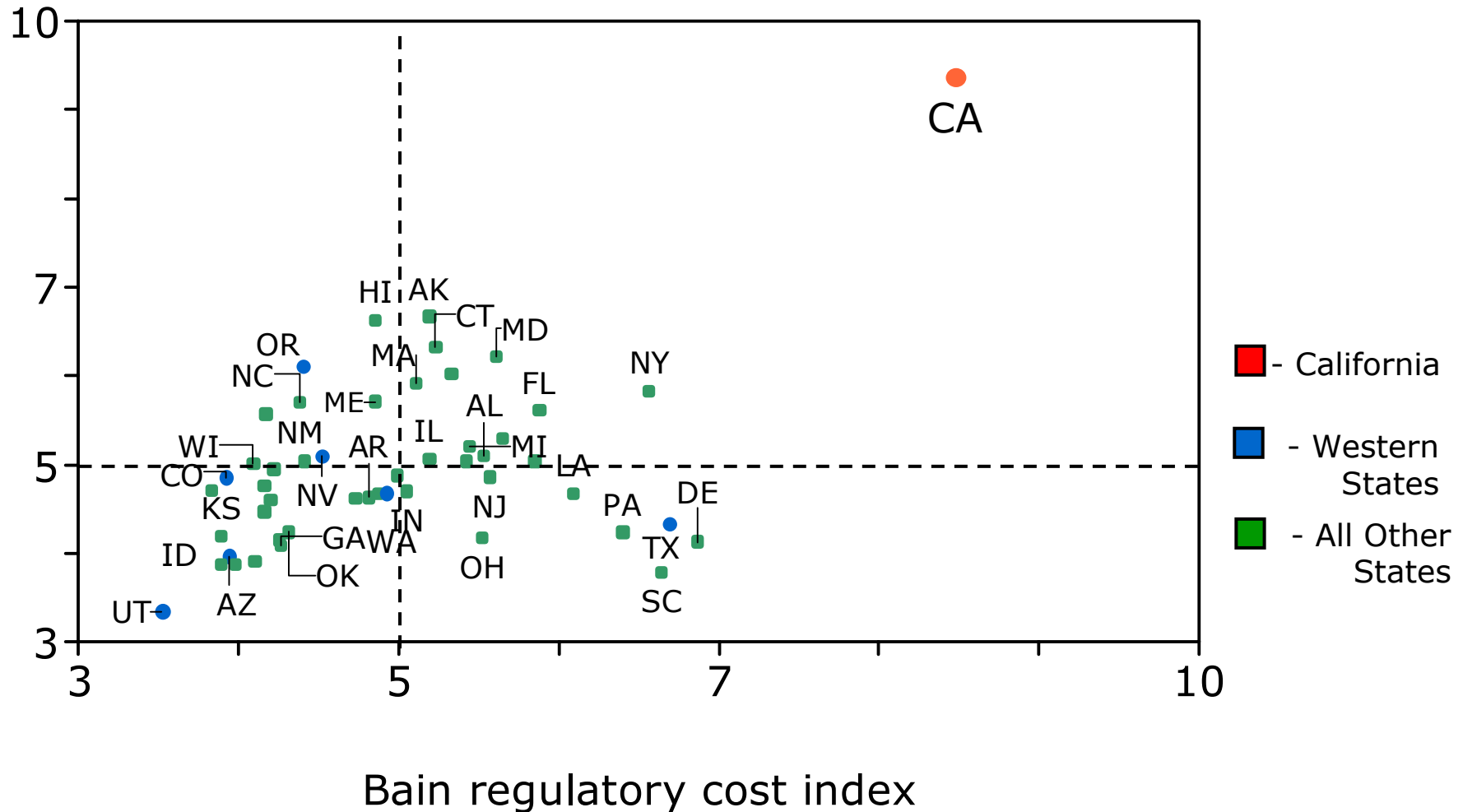
Example Co's Projected
Operating Income (\$M)



**For a low margin business, staying in
CA requires extraordinary sacrifice**

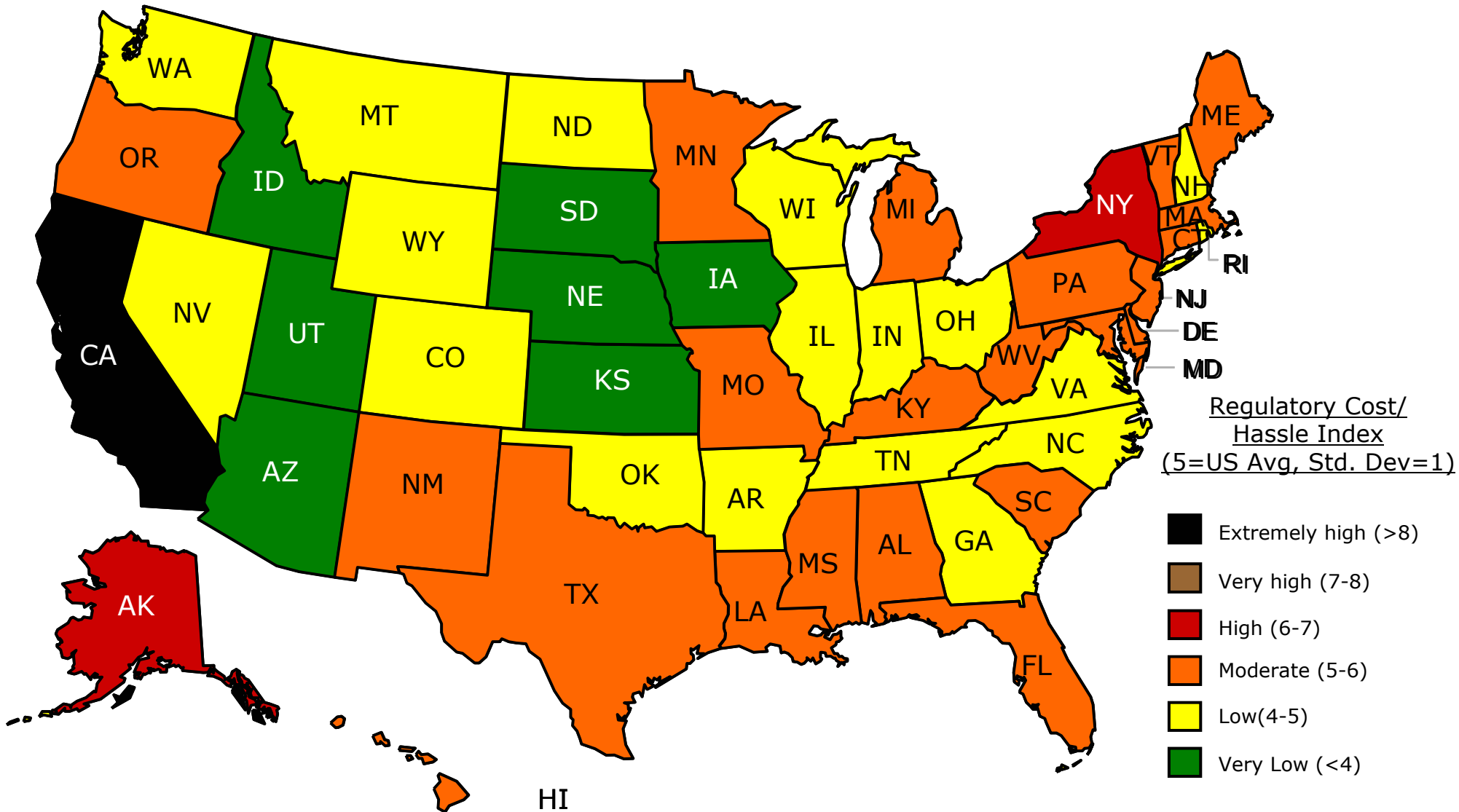
California regulatory environment stands out as being both costly and complex/uncertain

Bain regulatory "hassle" index
(uncertainty & complexity/time)



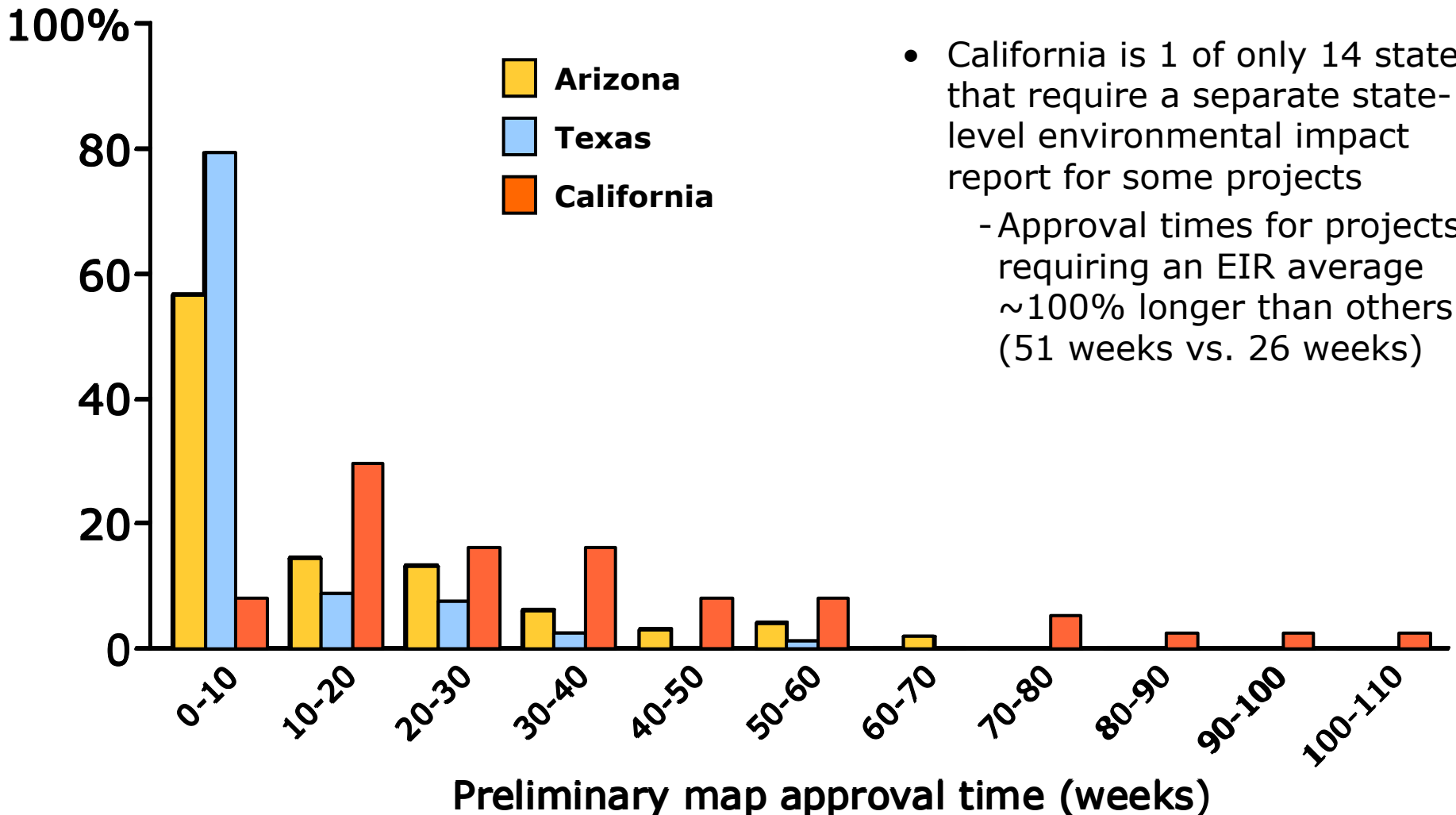
California's regulatory environment is the most costly, complex and uncertain in the nation (by a large margin)

Combined Regulatory Burden Index



California approvals take much longer

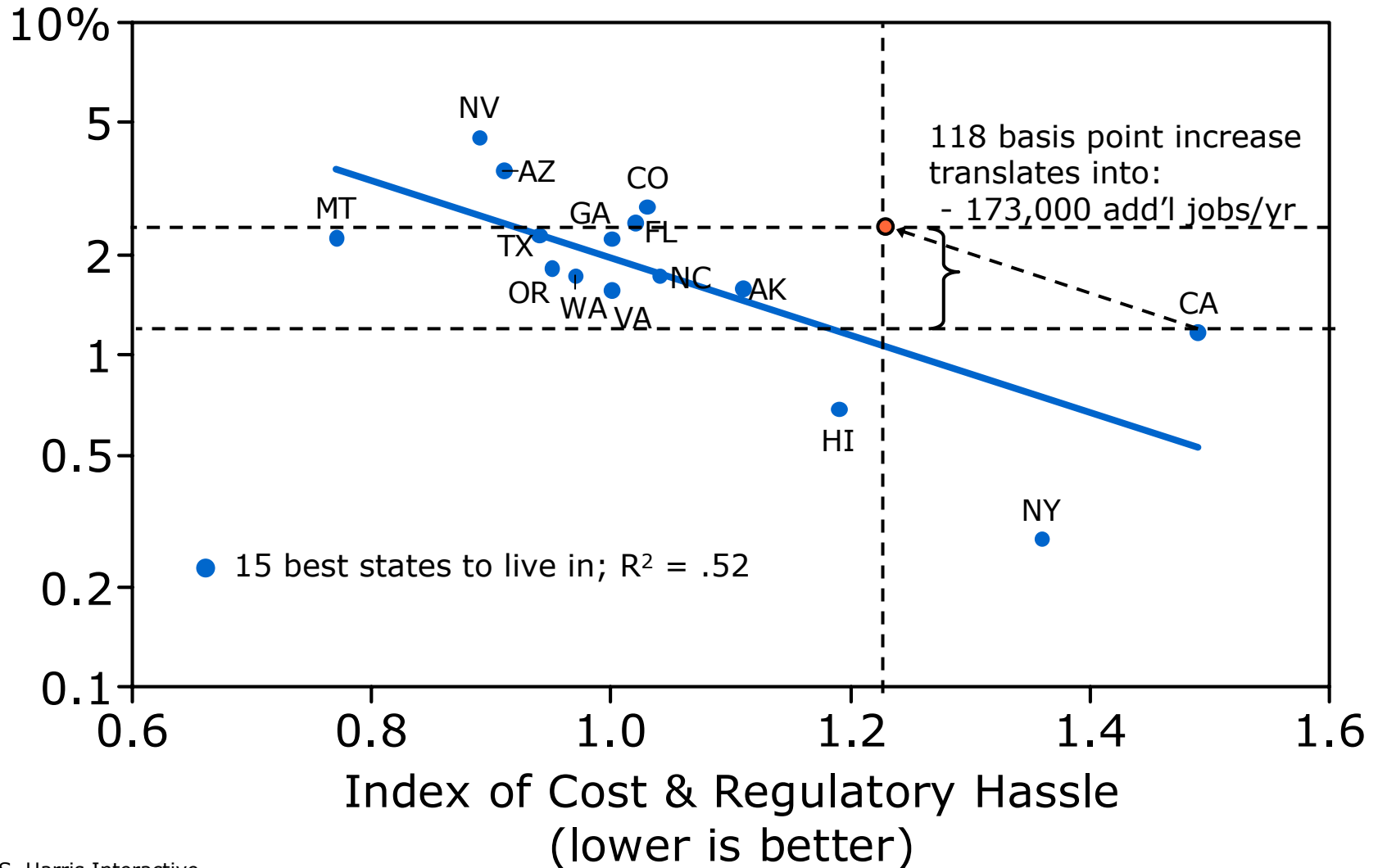
Percent of projects



- California is 1 of only 14 states that require a separate state-level environmental impact report for some projects
 - Approval times for projects requiring an EIR average ~100% longer than others (51 weeks vs. 26 weeks)

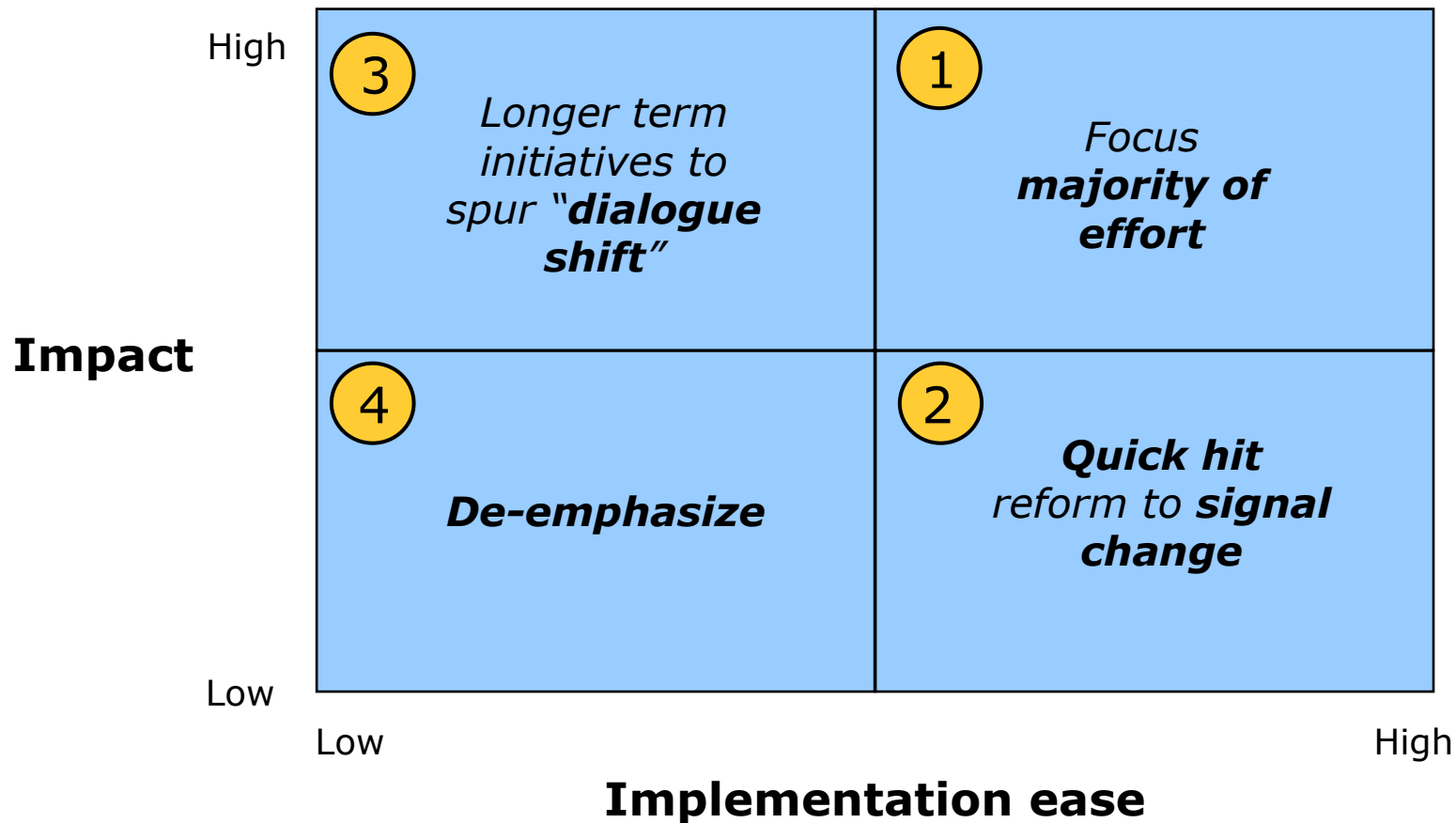
Increasing California's business competitiveness will have a significant impact on job growth in the state

% job growth '90-'03 (log scale)



Source: BLS, Harris Interactive

Prioritization matrix

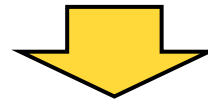


Output will be analysis of net benefit and implementation attractiveness of ~10-15 key options

To protect and restore the California experience, bold action is required

- Goal:**
- Commit to California economic leadership renaissance
 - Per capita income growth
 - High-value job growth
 - Quality of life

- Objectives:**
- **Reduce** cost gap of doing business vs. national avg by half
 - **Reduce** regulatory hassle **variance to national average by half**
 - **Keep score and course-correct:** increase action if falling behind



- Impact:**
- California can create a dramatic increase in both jobs and tax revenues
 - CA would add over **173K additional jobs every year**
 - State would collect an additional **~\$35B in tax revenue over ten year period**