Introduction

As you know, manufacturing provides jobs that are high wage with good benefits to support a middle class lifestyle. Manufacturing firms are also responsible for R&D and innovation investments that will grow new jobs in the future. In the past, California's success in attracting and growing manufacturing has lead to astounding economic growth. But even before the recent economic downturn, California has been losing more than its fair share of manufacturing jobs. The Milken Institute found that between 2000 and 2007, some other states have been more successful in retaining and attracting manufacturing employment.

The handout in your packet highlights the major findings of the Milken report. First, the economists calculated how much better off we would be if we had been able to maintain the same level of manufacturing in 2007 as we enjoyed in 2000 – 1.6 million more jobs, 101 billion more in output, $75 billion in wages, and $5 billion more income tax revenue.

Then they showed how California is not winning the race to retain and attract manufacturing jobs. They compared us to the US average, and the performance of seven other states: Oregon, Washington, Texas, Minnesota, Arizona, Kansas, and Indiana.

These states added more than 62,000 manufacturing jobs since 2003, while California lost 79,000 manufacturing jobs during the same period. This held true for the even the most valued high-technology jobs that California wants to keep and expand. Those states either gained high technology jobs or lost fewer than California.

Also, in California manufacturing as a share of GSP dropped 9.8% and manufacturing capital expenditures dropped 16.8%.

Your committee is concerned about jobs and labor issues, but I want to highlight the troubling statistic about capital expenditures. Capital investments are a crucial precursor to job growth and economic recovery for the state.

Milken found that our reputation for being unfriendly to business and our onerous regulatory climate are a few of the reasons that job growth and capital expenditures are not keeping up. You will hear from the companies following me that regulatory uncertainty and regulatory burdens discourage companies from deploying scarce capital to modernize and expand operations in the state.

We have some recommendations to improve our regulatory environment. These could be adopted with no sacrifice to health, safety or the environment. They would bring back good policy making that will address important public needs in the most cost-effective manner.

Here are a few:

> **This reform package would send a strong message that California is serious about improving government effectiveness and welcomes new investments and hiring.**
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> **1. Accurately estimate the economic impact of every new proposed regulation**
>
> **2. Restore the legislature's regulatory authority**
>
> **3. Review existing regulations to measure their effectiveness, and require a five-year "sunset" for all new regulations.**