

## It's time to save the golden goose



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— Angela Driscoll, Government Affairs Manager  
Vulcan Materials Co.



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# Campaign to rework regulations

Manufacturers' group says effort could curb job losses

By Kelly Johnson

Environmental inspections at Vulcan Materials Co.'s plants in California jumped more than an 18 percent last year, to 195 inspections.

And Vulcan, which produces construction materials nationwide, spent almost \$10 million in 2008 to oversee environmental regulations just in the Golden State, including at its plants in Sacramento and Roseville.

If some state regulations were consolidated, revamped or eliminated, manufacturers such as Vulcan could instead put their money into expanding operations and creating jobs.

That's the thinking behind the most recent campaign by the California Manufacturers & Technology Association to make California's regulatory system more efficient, predictable, accountable and lean. The Sacramento-based trade group is calling for reforms that would require:

- Legislative approval for any new major regulation, with the definition of "major" to be determined
- An economic and jobs impact report for major new regulations
- A periodic review of existing major regulations to weed out ones that are ineffective or outdated.

Such reform is needed, the association contends, because an unfriendly business environment is contributing to a massive loss of private-sector jobs and tax base while demand for state services is increasing.

"We've lost more than 600,000 manufacturing jobs in California since 2001," said Gino DiCaro, association spokesman.

That accounts for most of the 650,000 private-sector jobs lost in California during that time. In contrast, state government added 135,000 jobs, DiCaro said.

More losses are coming. For one, the New United Motor Manufacturing Inc. plant in Fremont, which had been jointly operated by General Motors and Toyota Motor Corp. and employs almost 5,000 workers, is set to close April 1.

"California is losing opportunities left and right, and we can't afford to," DiCaro said. The trade association's goal is to add 2 million jobs in California by 2020.

## All in the timing

This is not the first time the manufacturers' group has tried to shed California's image as an unfriendly business environment. This time, DiCaro said, "our chances of actually getting meaningful policy toward job creation has never been better," given the timing of this campaign, with the state's highest unemployment in decades.

But some strongly oppose the plan.

It "just creates a huge burden" and would add bureaucracy, delays and costs to state government, said Rob Wassmer, professor of public policy and economics at California State University Sacramento. It also could slow the implementation of or reduce the number of new regulations, including those that protect society in the form of environmental regulations and workplace safety rules, he said.

Wassmer isn't surprised by the manufacturers' association's effort or its timing.

"It's not new. It's been tried before," he said, citing similar anti-regulation efforts at the federal and state level.

While various business interests have made the job-killer argument before, Wassmer said this pitch is being made now because it could “ring true with the general public when people are out of work.”

### **Expensive and redundant**

Manufacturers are more enthusiastic about the plan.

“We absolutely support it,” said Vulcan’s government affairs manager, Angela Driscoll. A Vulcan representative serves on the association’s board.

“We understand regulations are a part of our business,” Driscoll said. She questioned, for example, why federal, state, regional, local and county agencies all have regulations regarding surface and/or groundwater.

“In reality, all of these agencies are looking at the same thing,” she said.

Also, Driscoll added, the state has shifted more powers to regulators, who she said lack the accountability of legislators. That creates uncertainty about what new regulations are coming.

“Without certainty, we can’t have job growth,” she said.

One regulation that’s particularly worrisome to the manufacturers’ association is Assembly Bill 32, which mandates that California reduce greenhouse gas emissions to 1990 levels by 2020, and drop them another 80 percent from 1990 levels by 2050. AB 32 begins taking effect Jan. 1, and emission cuts will be phased in over the next decade.

An economic analysis released a year ago has been criticized, including by the manufacturers’ association, as not being credible. Another economic impact report is expected to be released any time now.

Complying with AB 32, DiCaro predicts, is “going to be very expensive.”

### **‘Regulations are so restrictive’**

The manufacturers’ association hopes to get legislation passed in this session or next. Reform could require 30 to 40 legislative bills, DiCaro said.

As envisioned, the Legislative Analyst’s Office would be responsible for analyzing the economic impact of proposed regulations.

CalChamber sponsored legislation last year that “would have helped ensure that regulatory agencies who impose new environmental rules and regulations accurately evaluate the economic impact,” chamber spokeswoman Denise Davis wrote in an e-mail. That bill died in January. “We continue to support efforts that will reduce costs on California businesses,” she said.

The Milken Institute, in a 2009 report paid for by the manufacturers’ association, said California is neglecting the critical economic engine that is the manufacturing industry. The “state is losing ground to other states and nations because of its regulatory climate, tax burden and reputation as a difficult and costly place to do business,” the report said.

Another study last year found that state regulations cost small businesses in California almost \$493 billion, and the loss of 3.8 million jobs. The authors were Sanjay Varshney, dean of the College of Business Administration at Sacramento State, and Dennis Tootelian, a marketing professor at the university.

One small-business owner concerned about California’s business environment is John Coburn, president of GC Products Inc., which makes architectural products such as columns and molding. His 42-employee company is relocating to Lincoln from Sacramento, but Coburn is still considering moving at least a portion of his production to Reno.

“The regulations are so restrictive,” he said. “I’m afraid to try to grow my business in California.”

Coburn cites the large amount of workers’ compensation paperwork he has to fill out, and the \$5,000 a month he used to spend on reclaiming water, neutralizing it, and having it picked up. He switched to another more environmentally friendly finish for his products instead.

It was only the uncertainty with the economy last year that kept all of GC Products’ production work in California.

“We’re going to look at it again this year,” Coburn said.

Coburn likes what little he knows about the manufacturers’ association’s campaign. He’s not familiar with the organization, but criticizes the group for not doing more sooner.

“Excuse me, where the hell have they been?” he asked.