

A transcript for  
The Silicon Valley Leadership Group  
“Projections 2010: Leadership California”  
Panel Discussion Three of Five  
Barbara Marshman, Moderator  
Held at Santa Clara University Louis B. Mayer Theatre  
September 16, 2009

Panel members in order introduced:

Tom Campbell, former congressman and state budget director  
Shellye Archambeau, CEO, MetricStream  
Ed Colligan, former CEO, Palm  
Roger Clay, president, Insight Center for Community Economic Development

1 **Jim:**

2 ...provide a compelling impact to the competitiveness of Silicon Valley. Enlightened policy can  
3 provide the incentives that we need for growth, but poor policy decisions can have an impairing  
4 effect, both regionally, within the United States, and, more importantly, globally. In Washington,  
5 we hear many proposals relative to tax reform, health care, and [other] issues, and there’s a  
6 budget crisis in California. So the one thing that we *do* know is that we are in a change  
7 environment. So, to lead our panel for this discussion, we have Barbara Marshman of the  
8 Mercury News. She has twenty (20) years working for the editorial page of the Merc, and she is  
9 the editor of the editorial page. So please join me in welcoming Barbara Marshman.

10  
11 **Ms. Marshman:**

12 Thank you, Jim. It’s a pleasure to be here moderating this wide-ranging discussion, and I would  
13 argue that this is the most courageous panel of the day because, in a little while, we are going to  
14 take on the issue of health-care reform. So if there’s anybody out there with some signs, they  
15 need to get ready. Now is your time for the protest. I’ve never been heckled, but there’s a first  
16 time for everything!

17  
18 I would like to introduce our distinguished and always-civil panel. First, we have our designated  
19 gubernatorial candidate—I think an official one, this time—and that is former congressman and  
20 state director of finance, Tom Campbell.

21  
22 Next we have Shellye Archambeau, CEO of MetricStream, and then Ed Colligan, former CEO of  
23 Palm. And finally, we have Roger Clay, who is president of the nonprofit Insight Center for  
24 Community Economic Development, based in Oakland. Roger....

25  
26 **Q:** I’d like to start off with a really general question, and ask Tom to answer it first, and that  
27 is, what concerns you most about doing business in California and Silicon Valley today? And  
28 what do you believe the state should be doing to address that concern?  
29

30 A: (Mr. Campbell) Thanks, Barbara. My biggest concern is that we won't have the trained  
31 workforce into the future that we need, that we're killing ourselves right now in education.  
32 That's really what's on my mind. K-12, we've underfunded. I was very, very concerned that  
33 we're laying off workers. In the budget negotiations this spring, I put forward a plan of my own  
34 that said no more firing of teachers. I was concerned that we were threatening to cut off Cal  
35 Grants. And think about that for a moment. If talented, able students are not able to get to college  
36 in the state of California simply 'cause they don't come from a wealthy family, we are finished  
37 in terms of our future, looking long-term. I'm worried about IP. It's created at CSU and UC. We  
38 ought to allow the individual researchers who create that, to keep it, with a small percentage paid  
39 to the state. I think that would attract the very best innovators to our state. We could get them  
40 from MIT and Johns Hopkins and compete. And, if we don't, that's where we're going to lose,  
41 'cause California's long-term competitiveness is not in the low-cost labor side. It's in the  
42 products of our minds. So I'm thinking long-term, and when you ask, "What is the single-most  
43 important [issue]?" I'm going to say "education."

44  
45 Two other brief things. Regulatory reform. I think we should have a cost-benefit analysis on new  
46 regulations, and we should have a sunset. That doesn't mean that you get rid of a regulation; it  
47 just means it doesn't live forever.

48  
49 And, on the taxation side, long overdue that we get rid of the sales tax on productive machinery.  
50 We're [one of only] three states that do that. I'd like to have a capital-gains reduction in the state  
51 so that we continue to welcome investment. And lastly, I'm going to do all I can to argue against  
52 the federal effort to tax foreign-sourced income. It would just put us at a tremendous competitive  
53 disadvantage. Thank you.

54  
55 **Ms. Marshman:**

56 Thank you. Roger, I think you had some particular concerns about this?

57  
58 A: (Mr. Clay) Right. Well, first of all, let me say that I think I agree with Tom, but I work at  
59 a nonprofit, so I'm assuming people want me to say things from a slightly different perspective.  
60 So let me say that, first of all, I think that we know that what it takes to be competitive is a  
61 skilled workforce. I think it also requires a high degree of racial inclusion, and income and  
62 wealth equality in the region.

63  
64 So my biggest concern, too, is that we don't have a policy of inclusion in this state, and that we  
65 have...a lack of what I would a future orientation, so a lot of our policies are very short-sighted,  
66 and don't look to the long term.

67  
68 When we don't have those kinds of policies, we have a lot of disparities, and disparities have a  
69 lot of negative consequences that come with them. When I'm talking about "disparities," I mean  
70 in small-business contracting, housing, employment, early ?count? education programs, sort of  
71 all down the line, and education is the big one, starting with age zero all the way up through  
72 post-graduate.

73  
74  
75  
76  
77  
78  
79  
80  
81  
82  
83  
84  
85  
86  
87  
88  
89  
90  
91  
92  
93  
94  
95  
96  
97  
98  
99  
100  
101  
102  
103  
104  
105  
106  
107  
108  
109  
110  
111  
112  
113  
114  
115

And those disparities also make it hard for us to solve problems, because they really do lead to a lack of social capital, which means that people have a hard time coming to consensus and working together on things, to find common solutions. It means that we under-invest in human capital. And it means also that essentially we don't look long-term.

**Ms. Marshman:**

Thank you. Ed, what do you have?

**A: (Mr. Colligan)** Well, I guess I'd just say that I think this is probably the most dynamic, amazing place to work and live on the planet; and so, from my perspective, I think the biggest thing we need to do is not screw it up, you know. We need to – You know, the biggest issue that we have today, when I'm recruiting people, or trying to, you know, build the businesses here, is [that] the cost of living here is probably the biggest issue; and so, you know, if you're going to have an expensive place to live, and a place that has this kind of opportunity and everything, you better make it a *great* place [where] people want to be.

And so if our education institutions, which were a huge part of making this the place that it is, start to crumble, or go into disrepair, and the ability of our students to learn in them, and to have great teachers here, and so forth, if that goes away, then it won't be the most dynamic place to work anymore.

The other...thing is, if we mess up our environment, it won't be a great place to live anymore. So, you know, I don't know how to fix the cost-of-living thing, but I do believe that we *have* to protect the things that really make this place *great* – education, the environment, and really making sure that the transportation system,..., you know, is good here, too. All those things are big things that make this a great place to work. If we can preserve those things, then I think it can continue to be one of the dynamic places around.

**Ms. Marshman:**

Thank you. Shellye?

**A: (Ms. Archambeau)** I definitely agree with everything the panelists have said. I would actually raise it up just one more level, and say, "What's the biggest concern that I have, and threat to overall California?" It's our inability to manage our money. I mean it's fundamental. We have to do that as families. We have to do that as employees. We have to do that as business people. We have to do it as a state. And the fact that, in the state of California, you actually have to have the same level of consensus of the legislatures to actually pass a budget that you need to actually change the constitution. It seems to be a little off, this whole two-thirds approval just to get a budget in place makes it very difficult, and actually, I think, causes some bad behavior in the overall process. We have got to figure out how to actually put in place a budget, and manage to it, 'cause underlying all of this, if we can't have a state that is eighth or ninth, depending upon who it is you talk to, in the world, in terms of overall GDP, that can actually manage its money

116 and manage its business, we're not going to have a state over time that's actually going to be  
117 competitive.

118  
119 **Ms. Marshman:**

120 Thank you. That was a great range of ideas. (applause) Our audience agrees. Let's move to the  
121 cost of doing business, and workers' compensation is, again, on the list. Actually, this is an area  
122 where I thought reforms were sort of working here; but this year, I see that the rating bureau is  
123 looking at a twenty-two point eight [percent?] increase in workers'-comp rates for next year.  
124 Proposal, but, still – And there's a lot of concern that the governor's proposal to sell off part of  
125 the business now covered by the state fund, the insurer of last resort, will end up driving up rates,  
126 because it will mean private companies have to extract a profit from what now is not a profitable  
127 insurance business.

128  
129 **Q:** So, in light of that, let me ask you what progress *has* been made, if any, in workers'-  
130 comp reform, and what still needs to be done, to get costs under control? And let's start with  
131 Shellye on that.

132  
133 **A:** (**Ms. Archambeau**) Sure. Well, the good news is, if you look over the last six, seven  
134 years, a lot of progress has been made in workers' comp. Back in 2003, I think, was actually the  
135 year that it hit its peak. Workers' comp was about six dollars and forty, fifty cents, if you will,  
136 per hundred, on overall coverage.

137  
138 Last year, it was about just under two fifty, all right? So we significantly reduced the overall  
139 cost. However, California is still second-highest in the nation...in terms of the cost of workers'  
140 compensation. And the fact that we're now back on that rise again without a view and a strategy  
141 for how we're actually going to control that, really has me concerned; 'cause, as an employer,  
142 especially as a small-business employer—we have less than 250 employees—the whole issue of  
143 insurance is actually a very big piece of my operating budget. So any increase, 20 percent here,  
144 15 percent there, 10 percent there, makes a big different in my ability to actually hire, grow, and  
145 expand.

146  
147 I do think this all ties together, though, with one of the points that Barbara raised earlier, which is  
148 around health care. I think the issue of our inability to manage our health-care costs is what's  
149 really driving up the workers' comp.

150  
151 **Ms. Marshman:**

152 Thank you. Ed?

153  
154 **A:** (**Mr. Colligan**) Well, that's the fundamental issue. I mean we have to figure out how to  
155 control those costs. I'm a huge proponent, obviously, of reform. I don't think there's been  
156 enough discussion. We have a local company called Safeway that has done, I think, a very  
157 innovative and creative [job] of managing their health care costs by providing incentives to  
158 employees to be healthier, and they've lowered their costs by 40 percent by putting a system in

159 place [where] you *pay* more, just like *any* insurance, for destructive behavior, and you pay *less* if  
160 you do well. And so they measure employees on their weight, their cholesterol level, their blood  
161 pressure – things that are related to health in this country, and they give them incentives – lower  
162 costs for their health care, and it has had a direct impact on their employees’ health, and on the  
163 cost of their insurance. And so I don’t feel like we’ve had enough of *that* part of the discussion,  
164 and it’s all, “How are we going to get the insurance companies to do something differently?” It  
165 really should be, “You know, Jeez, are there ways to make the population healthier?”

166  
167 I’ve got to tell you. I think we are becoming one of the most overweight societies anywhere, and  
168 we’ve just got to do something about that. And ultimately, that will create a healthier nation and  
169 lower the cost of health care, which, hopefully, will end up being a lowering of workmen’s-  
170 compensation insurance costs, as well.

171  
172 **Ms. Marshman:**

173 Thank you. Tom, do you have anything...?

174  
175 **Q:** (Mr. Campbell) On the workers’-comp side, the permanent-disability rating system was,  
176 in the 2004 legislation, you know, the greatest improvement. What happened in that piece of  
177 legislation is really why Shellye’s rates were able to drop by 66 percent. A decision by the  
178 Workers’ [Compensation] Appeals Board takes us out of that reform, and that’s pending appeal  
179 right now. So the key is, if you can get back to the agreement that was reached in 2004, for this  
180 list, the permanent-disability rating system, shall be the compensation, and that you can’t go  
181 outside of it, we’ll have containment there. So that’s a specific as to workers’ comp.

182  
183 More generally, the recommendation is, as you said, Barbara, responsive to medical costs. So the  
184 workers’-compensation premium actuarially is set by the expected costs in the market; hence, it’s  
185 absolutely appropriate to...both Ed’s and Shellye’s suggestions on health care.

186  
187 And so I’d offer just a few of my own. First of all, with permission, and with hopeful patience, if  
188 you go to campbell.org, you will see my proposal, and it’s going out tomorrow. I’m having a big  
189 release of what I would do to solve health care. There it is. Obviously, we needed to buy more  
190 gigabytes in order to put it out; but very quickly, I do think interstate competition of health-care  
191 insurers ought to be allowed. I do think anti-trust reform, so that insurers are subject to anti-trust  
192 [laws], and litigation reform...Pricewaterhouse [Coopers] estimates [that] 10 percent of the cost  
193 of medicine is defensive medicine, and if you add to that the cost of just the premium...for  
194 malpractice insurance, it’s a very important part.

195  
196 **Ms. Marshman:**

197 Thank you. Well, that’s our transition to health-care reform. No signs?... We’ll forge ahead. You  
198 know, the need for health-care reform isn’t always framed as a business issue, but most of the  
199 people in this room know health insurance is a huge factor in increasing the costs of doing  
200 business in this country, and especially California. We’ve just heard that from our panel.

202 Nationally, premiums paid by employers have doubled over the last decade. Premiums in  
203 California have doubled in just six years. A report that came out yesterday from the Kaiser  
204 Family Foundation and the Research and Education Trust found that health-care premiums in  
205 California have risen over 4X the rate of inflation over ten years – actually, close to 5X, and  
206 more than 3X the increase in wages. So I’m going to guess that everybody up here is in favor of  
207 some kind of health care reform.

208  
209 **Q:** The question is, “What do *you* think are fundamental components to successful reform?”  
210 And, perhaps the more-difficult question, “How can we accomplish this reform politically?” And  
211 let me start with Roger.

212  
213 **A:** (**Mr. Clay**) Okay. I’m going to answer this question from the perspective of running a  
214 nonprofit, not from my personal view, because I have Kaiser, and I’m happy. And I’m not going  
215 to talk about the uninsured, because everybody at my place is insured. But I think there are five  
216 things.

217  
218 The first is affordability. Our policies have been going up, premiums have been going up, 15 to  
219 20 percent a year – 15 to 25 percent a year. We have a policy at our organization that we have at  
220 least one plan that the employees can have with their family where they don’t pay premiums;  
221 but, with the increases, what’s been happening, of course, is that we have to go to the plans with  
222 higher deductibles, higher co-pays. We dropped vision. We dropped dental, and it’s money in  
223 people’s [pockets], and so it really affects their salaries. And, as a nonprofit, we already don’t  
224 pay that much. And so what happens is, people leave, and generally, they go – When they leave  
225 our place, they go to government, because they have better health plans.

226  
227 The second is predictability. I don’t know from one year to the next what’s going to happen, and  
228 the plan year doesn’t match my fiscal year. So I can be in the middle of a year, and all of a  
229 sudden, I get a 20-percent increase, and then I have to start cutting costs elsewhere. You know,  
230 we have no reserves. That’s the way we work.

231  
232 Comprehensive. I have a bunch of people that don’t feel they have enough coverage, and so they  
233 buy others, or they have dual coverage, which costs a lot of money, meaning they’re on their  
234 spouse’s plan and our plan to feel like they are covered.

235  
236 **Ms. Marshman:**  
237 Unfortunately, we’re out of our two minutes....

238  
239 **A:** (**Mr. Clay**) And my last one is just, as a small organization, I have a few people around  
240 the country, and the fact that they’re sort of “out-posted,” it’s really difficult, so we’ll come back  
241 to it.

242  
243 **Ms. Marshman:**  
244 That cross-state ability that Tom mentioned might be helpful. Ed, what’s your take?

245  
246 **A:** (Mr. Colligan) I don't know. In business, when you're getting your butt kicked by  
247 someone else in a particular area, you go look at what they're doing, and copy it. Or do what you  
248 can to make it a little better. And there are a lot of countries around the world that have solved  
249 this problem. This is not rocket science. It takes *leadership* to go make this happen. (applause)  
250 And Canada has half the cost per capita of our, you know, cost per person of health insurance,  
251 and yet they have a...three-years-longer life expectancy, and lower infant-mortality rate. And  
252 they're right next door....And they're not a socialist country. I've worked with them a lot.

253  
254 So, you know, the whole debate is so ridiculous in my mind right now, about, you know, that's  
255 come up, and all the cynical stuff about, oh, we're going to turn into a socialist country if we,  
256 you know, do medical care, you know, in government services of some sort, or, you know, the  
257 "death panels," and all this other stuff. It's going to take some real leadership. You're not going  
258 to have every American understand every issue around health care to be able to pass the right  
259 legislation to make it happen. We elected officials to go into...the leadership positions to be able  
260 to make good decisions for us, and they need to go *do* it. It's the right thing to do, and until we  
261 make that happen, the rising costs are just going to go on. The ridiculous statistics are going to  
262 continue and we're not going to get it done.

263  
264 **Ms. Marshman:**  
265 Okay, Shellye. Hard act to follow. Go ahead.

266  
267 **A:** (Ms. Archambeau) I completely agree with everything that Ed just said. And one of the  
268 things that's important to also realize is the majority of people actually have some health  
269 coverage. I would dare to say everybody in this room does; and, like Roger, we're okay with it.  
270 Would we like lower premiums? Yes. Would we like a little of this? Yes. But, in general, we're  
271 okay with it.

272  
273 So part of the challenge is getting everyone to realize that this is actually a broader issue that we  
274 actually *need* to do something about. Sitting on your status-quo is actually not good enough.  
275 Forty-five million Americans have no health insurance. A study—actually, two studies—were  
276 done by Harvard professors using data over the last several years. [In] 49 percent of the  
277 foreclosures over the last two years, a medical problem in the family was a key contributor.  
278 Forty-nine percent! Fifty percent of all personal bankruptcies stem from health-care-driven  
279 expenses. All right. These numbers are staggering.

280  
281 Even if we're okay today with our overall health coverage, we can go get our shots, and we can  
282 go get this, realize that [there are] *way* too many Americans that are one health crisis away from  
283 bankruptcy. One health crisis away from losing their home. That is absolutely ridiculous in a  
284 country like ours. (applause) So we need to expand overall coverage and make sure that there is a  
285 base level of coverage that everyone has, and we can do it. Every other country is doing it. We  
286 can *do* this!

287

288 **Ms. Marshman:**  
289 Thank you. Tom, your whole plan is coming out tomorrow, but would you like to briefly respond  
290 to what's been suggested?  
291

292 **A:** (**Mr. Campbell**) Sure. Roger raises a very important point -- somebody who *was*  
293 working with you, then going to the government. Let's say you had to lay them off, and the  
294 government isn't ready to hire them right away. They're caught. And they may not be able to  
295 afford the premium on the insurance that *you* had, because they now have to pay it for  
296 themselves. The Congress tried to address that with COBRA,...the Comprehensive Omnibus  
297 Budget Reconciliation Act, and the difficulty is getting the money to pay for it.  
298

299 A simple suggestion, a targeted suggestion, would be, when you *do* have a job, the amount that  
300 you and your employer—in this case, you, or rather Shellye—match, for unemployment  
301 insurance, should include the likely premium for the COBRA, so that, during that time period,  
302 when you're out of work, when you're between jobs, when you don't have the old insurance, and  
303 you're not yet employed again, you're covered not only for your unemployment insurance, but  
304 for the premium on the continuation. That's a relatively minor, targeted reform.  
305

306 Ed raised a point about Safeway. I think that's excellent. The way to incentivize lower cost is to  
307 let individuals be in control a little bit more. So right now, the employer gets the tax deduction. I  
308 think we should make that either the employer or the employee....Fiscally, that works just fine. It  
309 doesn't hit the government bottom line. It can be one or the other, but if it's the employee, then  
310 the employee has the incentives to do the wellness proposals.  
311

312 Lastly, I did the numbers for California, and it's fascinating. We spend right now about forty-two  
313 billion dollars (\$42 billion)—government, state and federal—for health care. We have about  
314 seven point one million (7.1 million) who are uninsured in our state, and who could not afford  
315 insurance. There are some who are voluntarily uninsured, but, just for a moment, deal with those  
316 who are involuntarily uninsured. If you divide one by the other, it comes to a sum above four  
317 thousand three hundred dollars (\$4,300), and the average cost of a premium in California is  
318 under four thousand [dollars].  
319

320 **Ms. Marshman:**  
321 Thank you, Tom. We are at the end of our two minutes and I'm sure everyone will be going to  
322 your Web site tomorrow.  
323

324 **Mr. Campbell:**  
325 Hope so. Thank you.  
326

327 **Ms. Marshman:**  
328 Let's move to general competitiveness and job creation, and first look at it internationally.  
329



330 **Q:** Among the thirty developed nations in the Organization for Economic Cooperation and  
331 Development, the United States has one of the highest overall corporate tax rates. Tom, could  
332 you start us off again, and talk about how this impacts our ability to create jobs and produce  
333 positive economic results here?  
334

335 **A:** (**Mr. Campbell**) The world is our marketplace. We know that in Silicon Valley, and it's  
336 true for California, as well. Our biggest industry still is agriculture, and so we're very export-  
337 oriented. If we don't treat the exporting of product, and the competition overseas, as an important  
338 part of our country's economic health, we will fall behind, and the danger I see most clearly is an  
339 example I raised in my opening remark, that the administration—President Obama's  
340 administration—is at least presently floating, which is that if you have activities overseas, and  
341 you earn money, and you pay taxes over there, you cannot offset—you would not be able to  
342 offset—your domestic tax by the amount of the tax that you pay on your overseas earnings.  
343

344 Now if you're competing with...other companies in those countries where they *don't* have to pay  
345 their domestic tax, only the tax in the country where they're doing business, you're going to lose.  
346 You're going to lose. And if you just take that—look at that—one concept, and expand it to the  
347 notion of, "Ought we [not to] be making it easier to do business?", you can see the necessity for  
348 California to have more people coming in here with H-1B visas, as well – more, not less. We are  
349 great in our state, great in our country, because we have the best of the world coming here. We  
350 shouldn't let any...wrong-headed attitudes about immigration keep us from continuing that  
351 competitive edge.  
352

353 **Ms. Marshman:**  
354 Thank you. Shellye?  
355

356 **A:** (**Ms. Archambeau**) Actually, I think that was said well. Bottom line: Dollars we spend  
357 in taxes that are higher than what other companies have to spend in other countries, indeed...give  
358 us fewer dollars to be able to spend, to invest in our overall companies, which makes us less  
359 competitive.  
360

361 In California, we have the double whammy of having not only the highest country-level  
362 corporate tax—well, we're not quite the highest, but we're in the top five—*but* we have the  
363 highest state income tax. We have the highest sales tax. We have the high – You add 'em all up,  
364 and all of a sudden, it actually is harder for *us* than even for a competing company in a different  
365 state, and then, globally, it makes it very challenging. So the whole tax piece absolutely needs to  
366 be relooked at, and [we need to] understand that it is a competitive issue. It isn't just a matter of  
367 whether or not companies are paying their fair share.  
368

369 **Ms. Marshman:**  
370 Thank you. Ed?  
371

372 A: (Mr. Colligan) Those are all absolutely right. And the other thing is, there's a whole  
373 other area of taxes we don't even talk about, which is the tax—I call it the “legal tax”—on our  
374 society, which is, you know, there's an enormous need for things like patent reform or consumer  
375 class-action lawsuit reform...I mean there is a whole industry now among the legal system,  
376 bringing suits against companies on completely frivolous terms. And all we're doing is paying  
377 them off. It's a whole “nother” tax that's going on right now, ...*and* a huge amount of, you  
378 know, just effort and energy that goes into fighting off all of this, and there needs to be some  
379 serious reform in that area, because I've got to tell you. As CEO of a company, we spent an  
380 *enormous* amount of time fighting things that are completely ridiculous, and it's just paying off  
381 the legal system, essentially, and it's a big tax.

382  
383 The other thing is the regulations – you know, Sarbanes-Oxley, and the whole [burden] of  
384 regulations that have been...laid on top of business today. To try to help us be productive, you  
385 know, in the world economy, spending half your time as a CEO dealing with frivolous issues like  
386 that, as opposed to really driving for creating great new products and so forth, is a bad use of our  
387 time, and I'd say is a very destructive tax on the system, so we need to deal with that, as well.

388  
389 **Ms. Marshman:**  
390 Interesting. Roger?...

391  
392 A: (Mr. Clay) Yeah...Let me say that I do agree that I think that taxation and regulation is  
393 an issue, but I wouldn't want it to become such a big issue that we forget what I think are bigger  
394 issues, which [are] the quality of our workforce and our educational system. I think if we had  
395 that, if we had affordable housing, the tax issue would be a lot less.

396  
397 A: (Mr. Colligan) Yeah. At some level, it's hard to believe we have the highest taxes. You  
398 were just – You know, and yet we're what, fiftieth, among the states for student education now?  
399 You know, it's just there's something wrong with that picture. (applause) How is that possible?

400  
401 A: (Ms. Archambeau) Back to managing the budget and getting your fiscal house in order.

402  
403 A: (Mr. Colligan) Yeah. It's just unbelievable.

404  
405 A: (Mr. Clay) Yea, that's right. I mean it's...what are we doing, and how effective we are  
406 with what we collect is another issue.

407  
408 A: (Mr. Campbell) While the podium is otherwise occupied. The statistic I'd focus on, as  
409 well, Ed, is we're actually fiftieth in class size. We have larger classes. So, on the budget, [when]  
410 I said no to firing more teachers, it was 'cause we can't afford to have a bigger class size...

411  
412 A: (Ms. Archambeau) How does that happen to the eighth-largest economy in the world?  
413 ...Where is the money going?

414

415 A: (Mr. Campbell) It's going to...going to health care. That's the fastest-rising component  
416 of the state budget. But I wanted to just point out, if I might, we're number-one in teacher  
417 salaries....Highest teacher salaries, worst in class size. So that should tell you a little bit about  
418 the system. It would make a lot more sense if we had smaller classes. I'm a professor. I teach.  
419 That's what I've done—either that or public service—my whole adult life, and I'm much better  
420 when I have a [smaller] number of students. That's where the money should be going.

421  
422 Lastly, the fiftieth number is debated. I think the correct number, according to the National  
423 Education Association –

424  
425 A: (Mr. Colligan?<sup>1</sup>) Fifty-first?

426  
427 A: (Mr. Campbell) Well, if you include the District of Columbia, that's quite relevant. But  
428 District of Columbia actually spends more per pupil than we do, and their outcomes are no  
429 better. We're forty-eighth and forty-ninth in...English proficiency and math. That's just...  
430 terrible; but the actual issue of how you spend the money is critical, or else DC would be the  
431 best.

432  
433 **Ms. Marshman:**

434 Thank you. Let's move to – I'm told we're just going to do one more question, and then move to  
435 audience questions, so we're probably not going to do the question exchange we had hoped to do  
436 on the panel. I'd like to...get to a finding from the Projections Report. When Silicon Valley was  
437 compared with other regions in the country, California appears to lag well behind states such as  
438 Texas and Arizona in providing tax incentives.

439  
440 Q: I'd like you-all to talk about what you consider to be the greatest threat to Silicon Valley  
441 and California's competitiveness within this country, but also what you see as our strengths in  
442 comparison to other states. And let's start with Ed.

443  
444 A: (Mr. Colligan) Well, I think I, you know, kind of talked about that in my opening  
445 comments, you know. One of the questions I was going to be asked later was, you know,  
446 basically, how do we – you know, what should we do for incentives? How should we copy other  
447 states on the incentive side?

448  
449 I think it's ridiculous. Why do we need to give any incentives? This is the best place on the  
450 planet to get – you know, for jobs and for growth and for entrepreneurship and all this other  
451 stuff. Let's just make what we have *work*, and spend our money wisely, and get our education act  
452 together, keep our environment in place, fix the transportation. *Those* are the big things.

453

---

<sup>1</sup> – Couldn't tell from audio or video – ed. note.  
SVLG "Projections 2010" Panel Discussion 3 of 5 September 16, 2009

454 You know, the big thing today, the cost of living, I don't know *how* to fix that. I don't think we  
455 can go out to everyone and say, "Oh, jeez! You know, your houses are too expensive, so we're  
456 just going to lower all the prices of those."  
457

458 A: (Ms. Archambeau) That's already happened! We already did that.  
459

460 A: (Mr. Colligan) We already did that to some extent, but it's still...too expensive. It's still  
461 too expensive! So look. We've just got to make what we have work better with the money we  
462 have, not by raising taxes; and, to me, that's...the answer to this. It's pretty straightforward. We  
463 don't have – I think the whole incentive thing is way mis-directed. Make what we have, which is  
464 *great*, work great.  
465

466 Ms. Marshman:  
467 Thank you. Roger?  
468

469 A: (Mr. Clay) I'm the nonprofit. He's the business guy. And we seem to be agreeing.  
470 Maybe that's a good thing. I think a lot of times with the tax incentives, or other corporate  
471 subsidies, we make assumptions that we're going to get certain outcomes. I think, many times,  
472 especially government, doesn't really apply a very rigorous 'buck? forecast to make sure that  
473 there is some correlation between what's given and what...comes back.  
474

475 Many times, people like I represent don't get any benefit from...supposedly what the  
476 government put in. So I think...that's one issue. But I totally agree with Ed. I think if we're  
477 really focused on the workforce and our educational system, and making sure everybody is  
478 included, which I call "racial inclusion," especially in *this* state, where we have so many people  
479 that are people of color, but so many of them are not really mainstream in this economy, so it's  
480 like we're running a car with four wheels, but we only use three. I mean it doesn't make sense.  
481 So I really think those are the bigger issues, or the accompanying issues, with...the taxes and the  
482 subsidies.  
483

484 A: (Ms. Archambeau) ...Just tying to what Roger said, and Ed, as well, I...also believe that  
485 the K-12 / higher education is the biggest threat. Our inability to sustain and to improve that is  
486 the biggest long-term threat to the state of California.  
487

488 In many respects, we're all here, in terms of running our companies, running our businesses  
489 *here*. We're doing it despite all the things we talked about – high taxes, right, poor public  
490 transportation. Why are we doing it? We're doing it because you can get some of the best and the  
491 brightest workers here. The spirit of innovation is better here than anyplace else that I've been  
492 around the world. The whole can-do attitude, the "Give me a problem and let's come up with a  
493 creative way to solve it." I mean this an amazing place called Silicon Valley that enables this.  
494 And it's absolutely worth that extra cost, right, to go leverage and take advantage and harness  
495 that; but the challenge --  
496

497 A: (Mr. Colligan) How many places have...tried to be Silicon something?...

498

499 A: (Ms. Archambeau) Oh, exactly....Exactly. They're all over, right? "Silicon India."  
500 "Silicon China." We've got all these little places....They're absolutely happening....Yeah,  
501 they're absolutely happening; *but* the reason we got here is because we made those investments  
502 before. California's public education, K-12, actually used to be very, very highly-rated, if you  
503 roll the clock back. It was one of the top. Our UC system, our private colleges and universities,  
504 all got the right support to actually generate and produce and help educate all people. We have to  
505 make sure—back to the inclusion statement—that we are investing in those areas, or one day,  
506 we're going to wake up, and we're going to be sitting here on this panel talking about, "Boy,  
507 those were the good old days, weren't they? When California was competitive. When we had  
508 innovation. When we actually graduated top students." And I'll tell you. We're taking it for  
509 granted. And if we don't figure out how to fix it, and fix it soon, that's exactly what's going to  
510 happen. It's going to be "woulda, shoulda, coulda."

511

512 A: (Mr. Campbell) All right. Outstanding. I have one quick comment....Outstanding.  
513 Totally with you. Please read the morning *Mercury News*. Of course you should do that every  
514 morning anyway, but there's a report that's very disturbing. Roger, I think, this particularly  
515 touches your point, that there is a racial gap in how the K-12 system is performing. And it's  
516 getting bigger. And it's getting bigger in Silicon Valley. So that's...a very, very important point.

517

518 One last thing. So education, I'm with ya! That's what I've given my life to, and it's what I  
519 started my remarks on today. But one thing is of a slightly different nature. Capital gains. We  
520 ought to have the same preference in *our* tax system that we have with the federal. It is not a  
521 good idea in California to tax capital gains at the same high level as ordinary income when other  
522 states are not, and when the federal government is not. What we need is entrepreneurs to start  
523 things, and the capital-gains tax is directly correlated with that.

524

525 Ms. Marshman:

526 Thank you. Now we're moving to questions from the audience, and the first one is for Tom.

527

528 Q: There's a lot of talk about the need for governance and budget reform in California. You  
529 were the author of an open-primary ballot initiative some years ago, which passed, but was then  
530 ruled unconstitutional. There's a new open-primary measure on the June 2010 ballot. Do you  
531 support it, and why or why not?

532

533 A: (Mr. Campbell) I sure do. Look, the parties are going to the extremes in the primaries.  
534 How do you win a Republican primary? You appeal to the far right. How do you win a  
535 Democratic [primary]? You appeal to the constituencies most powerful in the Democratic part,  
536 organized labor, in particular. That's the truth, and so people then end up in Sacramento, and  
537 they're not...able to get along. Shocking outcome, isn't it?

538

539 There's a lot that can be done by just asking people to put aside the label for awhile, and consider  
540 what you might be able to do together. So the open primary that was struck down is one I worked  
541 very hard on. Most of the people in California wanted it.  
542

543 This is a slight variation. What it is, is actually the top two. So everybody runs. The top two then  
544 run in the final. It could be two Democrats. It could be two Republicans. But the key is, in order  
545 to get to that final, you can't just appeal to your far left if you're a Democrat, and your far right if  
546 you're a Republican.  
547

548 **Ms. Marshman:**

549 Thank you. The next question is to Shellye and Ed, and it really builds on things we've been  
550 talking about, but I will read the question as it is....  
551

552 **Q:** As executives who have led both large and small technology companies, is Silicon Valley  
553 still a competitive place to start an innovation-economy company? And give us two or three  
554 points why it is or is not. Just maybe get a little more specific than what you talked about earlier.  
555 Ed, want to kick that off?  
556

557 **A:** (**Mr. Colligan**) Absolutely! It blows my mind! Actually, I've, you know, been out for a  
558 couple of months, out of the day-to-day of just running, you know, a high-tech company, which  
559 is a crazy, crazy process, and a time-consuming thing,... and even being able to step back and  
560 now being contacted by a lot of young entrepreneurs and other people that are looking for advice  
561 or whatever.  
562

563 It's just amazing, the dynamic nature of this environment that we live in – the job-creation  
564 engine, the risk-taking. There is no place like this on the planet. Period. And so, you know,  
565 I...feel like "Yes! Absolutely! We're still in great shape."  
566

567 *But*, you know, we're going to end up...looking back some day, going, "Wow! Those pyramids  
568 are sure nice!" Because, you know, we're going to blow it here if we don't get our act together,  
569 really fix the education system, as we've said, and make sure we invest in that. And a few other  
570 things. It's not a lot. It's just really spending things correctly, so, no. I just think right now, an  
571 absolutely great place to start a business, still.  
572

573 **A:** (**Ms. Archambeau**) Absolutely, still. Access to capital. The majority of venture-capital  
574 funds and things still come out of this particular area. Access to overall just ideas and creativity  
575 and the building that happens. I'm getting really smart and bright people.  
576

577 **A:** (**Mr. Colligan**) We're augmenting the education system right now through  
578 the...immigration, is what's happening. We are, as I – Still, so many people who want to come  
579 here and be here that we're getting a lot of smart entrepreneurs from other countries!  
580

581 **A:** (**Mr. Campbell**) And, you know, I don't think that's...anything to be sad about....

582  
583 A: (Mr. Colligan) No! It's great! It's great! But we should home-growing some of our own,  
584 too, it seems to me!  
585  
586 A: (Mr. Campbell) Amen. Amen. And we should get the best the world has to offer.  
587  
588 **Ms. Marshman:**  
589 Tom, that leads us to our last question here, I believe, and it's about our public-school system.  
590  
591 Q: If you're elected governor, what steps would you take to improve our public-school  
592 system? And, again, maybe you could be a little more specific than your general comments  
593 earlier.  
594  
595 A: (Mr. Campbell) The smaller class size is critical. And we started, under governor Pete  
596 Wilson, a program to drop to no more than twenty per class, and that ran into a funding problem.  
597 The funding problem allowed us to go up to Kindergarten, first, second, and third, and then we  
598 stopped, and this year, we had to roll back. So where I would put the dollar, it's really quite  
599 simple, is to the maximum extent possible, in getting class sizes down again...I'll appeal to  
600 every teacher in the room, and I suspect that there are a lot, that you are more effective in a  
601 smaller class.  
602  
603 Secondly, I would not like to leave off at all that discussion of those who have been kept out, or  
604 those for whom the system has not provided. And I particularly want to identify with the  
605 *Mercury News* article on minority-race students who appear to have been disappointed strongly  
606 by the system presently...I favor a small start. I'm talking about 1 percent of the worst-  
607 performing schools. Maybe we ought to allow scholarships so that those parents who don't have  
608 the means otherwise can send their children to private schools.  
609  
610 **Ms. Marshman:**  
611 Thank you so much. Terrific panel. Big round of applause. (applause)  
612  
613 **Mr. Guardino:**  
614 (presents 5-pound Hersey bar to Mr. Campbell.)  
615  
616 # # #  
617 /WPP  
618 September 19, 20, 23, 2009  
619