The Silicon Valley Leadership Group, founded in 1978 by David Packard of Hewlett-Packard, represents more than 400 of Silicon Valley's most respected employers on issues, programs and campaigns that affect the economic health and quality of life in Silicon Valley, including energy, transportation, education, housing, health care, tax policies, economic vitality and the environment. Leadership Group members collectively provide nearly one of every three private sector jobs in Silicon Valley.

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Ken Goldman, Yahoo!

The 2016 CEO Business Climate Survey is produced by the Silicon Valley Leadership Group.
In Silicon Valley, the annual CEO Business Climate Survey serves as a powerful metric for the overall condition of the region and its various industry sectors. By meticulously assembling a battery of data provided by the Valley’s key leaders in the private and public sectors, the survey offers a comprehensive account of the area’s performance as well as a forecast of the conditions ahead. Notably, the survey has been incredibly prescient in the past. Given this history, observers of the Valley’s track record can feel secure that the survey’s findings will serve as a reliable barometer of the Valley’s current health and guide for the upcoming year.

In the working world, every professional field has its own vocabulary, a special set of words and concepts that define the unique values, issues, circumstances and outputs related to its area of activity and expertise. For musicologists it may be something like “timbre,” while for economists it may be “aggregate demand curve.” The point is that these terms are distinctive to a particular specialty or endeavor; they also provide insight into the essence of a particular corporate mission.

It’s no different in Silicon Valley, which has its own defining terminology. Here one of the most salient words of the region is “metric,” which is the term for measuring quantitative performances of the products and services of a company and its employees. Metrics are critically important in the Valley because of the many enterprises that calibrate success in terms of real time, sometimes on a very short financial leash, under severe time constraints, or in the face of fierce competitive conditions either at home or abroad.
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The Silicon Valley Leadership Group conducted its 13th annual CEO Business Climate Survey between January 11, 2016 and March 11, 2016. During this period, surveys were distributed electronically to the organization’s 400 members. By the response cutoff date, the Leadership Group received replies from 178 members, or a participation rate of 44.5 percent, well beyond expectations for this form of research.

As in the past, the survey covered a multitude of areas regarding virtually all aspects of life in the Valley. Key areas of inquiry included the region’s general business climate; employee living and working conditions; business concerns, the responsiveness of governments to Valley interests; and challenges and opportunities for the coming year. The survey dedicated attention to questions about current public policy matters as well as issues of concern to the Leadership Group and Silicon Valley residents. In an attempt to assess future conditions, the survey asked respondents to forecast the state and local economy for the coming year and, based on their responses, their recommendations for specific government action steps that might improve important policy areas in need of attention. In addition to the above, this year’s survey delved into a current issue before the San José City Council concerning a possible elevation of the city’s local business tax.

### Employment
- **Added jobs in 2015:** 62 percent, compared with 67 percent in 2014
- **Subtracted jobs in 2015:** 7 percent, compared with 9 percent in 2014
- **Expected to add jobs in 2016:** 58 percent, compared with 64 percent in 2015
- **Expected to subtract jobs in 2016:** 5 percent, compared to 2 percent in 2014

### Other Job-Related Observations
- **Employee movement out of state:** 20 percent, up from 19 percent in 2015; 39 percent cited reduced employee costs as the most important reason
- **Physical presence in other states:** 75 percent, up from 71 percent in 2015; Texas, New York and Massachusetts are cited the most
- **Multinational presence:** 50 percent
- **Possible “Gross Receipts Tax” in San José:** 59 percent would either discourage their company from locating in San José, discourage expansion, or encourage their company to leave

### Strengths of Silicon Valley
1. Access to skilled labor (#2 in 2015)
2. Entrepreneurial mindset (#1 in 2015)
3. Climate/weather (#4 in 2015)
4. Proximity to customers (#3 in 2015)
5. World class universities (#5 in 2015)

### Business Challenges
- **High housing costs for employees (#1 in 2015)**
- **Traffic congestion (#3 in 2015)**
- **Employee recruitment/retention costs (#2 in 2015)**
- **Business taxes (#5 in 2015)**
- **Business regulations (#4 in 2015)**

### Cost of living challenges for employees and their families
1. Housing costs (#1 in 2015)
2. Traffic congestion (#2 in 2015)
3. High taxes (#3 in 2015)

### Recommendations to local government
- Ease local street and road congestion (#1 in 2015)
- Approve more affordable home developments (#2 in 2015)
- Improve K-12 public education (#3 in 2015)

### Recommendations to state government
- Invest in traffic relief/transportation improvements (#1 on 2015)
- Help create more affordable housing (#2 in 2015)
- Strengthen K-12 public education funding (#3 in 2015)

### Recommendations to federal government
- STEM education support (#3 in 2015)
- Comprehensive tax reform (#1 in 2015)
- H1-B visa/green card reform (#2 in 2015)
- Cybersecurity (#5 in 2015)
- Repatriation of foreign earnings
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Employment speaks volumes about the state of an economy and the wellbeing of the community. As noted above, the economy in Silicon Valley continues to thrive. In 2015, 64 percent of the survey respondents announced they would add new employees during the coming year at a near-record pace. In fact, reality virtually matched expectations with 62 percent of the companies actually increasing the size of their workforce, which attested to the survey’s quality forecasting. All of which makes the 2016 report so important. In the current survey, 58 percent of respondents declared they would add employees before year’s end, suggesting a slight drop off from the previous year. With respect to possible employee reductions, the survey results forecast that less than 5 percent of employers will subtract jobs by the year’s end, a touch more than the 2 percent figure for the previous year. The bottom line: Employee growth continues but at a slightly less rate than 2015.

In the past few years, Silicon Valley has been unrivaled as the economic juggernaut of the state and nation. No area has fared as well. A study conducted by the Milken Institute in 2015 rated Santa Clara County as the top economic performer in the nation; San Francisco/San Mateo ranked second. During the past year, jobs in Santa Clara County grew by 4.6 percent; employment in the San Francisco/San Mateo County area grew by 5.2 percent. Unemployment in the San José/Sunnyvale/Santa Clara Metropolitan Statistical area in February 2016 was 3.9 percent, one point below the national average and a full two points below the state average. These numbers reflect full employment in the truest sense, a condition found in few other areas of the county.

The region’s success is the result of an unequalled workforce that serves as the foundation of innovation, production and distribution of world class products and services. Bearing in mind the critical value of the region’s workforce, the CEO Business Climate Survey asked respondents to name the three most compelling cost of living challenges for their employees and their families.

As in the past, the high cost of housing easily eclipsed all categories, with 92 percent citing this area. The percentage equals that answered in 2015 and stands as the highest since 2009. There is good reason for this concern. As a general rule of thumb, housing in the region costs approximately three times the national average, and it continues to soar. As of October 2015, the median national cost of homes remained 7 percent below the onset of the Great Recession; however, housing prices in San José were 21 percent higher for the same period. Traffic congestion attracts the concern of two-thirds of the respondents, followed by high taxes which are cited by more than half the survey participants. But housing weighs on the minds of virtually all the respondents inasmuch it represents a potential obstacle for attracting would-be employees, and therefore a hindrance for Valley companies to maintain a first class workforce.

What are the top cost of living challenges in Silicon Valley for workers and families?

Percent of responders who chose housing as the top cost challenge from previous years:

- 92% 2015
- 90% 2014
- 86% 2013
- 87% 2012
- 84% 2011
- 97% 2006
- 86% 2010
- 96% 2009
- 99% 2008
- 99% 2007
- 18% Kindergarten-12th education
- 52% High taxes
- 68% Traffic congestion

Since January 1, 2015, have you added, stayed the same or subtracted jobs in Silicon Valley?

- 62% Added jobs in 2015
- 28% Stayed the same in 2015
- 7% Subtracted jobs in 2015
Employment speaks volumes about the state of an economy and the wellbeing of the community. As noted above, the economy in Silicon Valley continues to thrive. In 2015, 64 percent of the survey respondents announced they would add new employees during the coming year at a near-record pace. In fact, reality virtually matched expectations with 62 percent of the companies actually increasing the size of their workforce, which attested to the survey’s quality forecasting. All of which makes the 2016 report so important. In the current survey, 58 percent of respondents declared they would add employees before year’s end, suggesting a slight drop off from the previous year. With respect to possible employee reductions, the survey results forecast that less than 5 percent of employers will subtract jobs by the year’s end, a touch more than the 2 percent figure for the previous year. The bottom line: Employee growth continues but at a slightly less rate than 2015.

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Challenges & Strengths

IN SILICON VALLEY

Challenges

Regarding the business environment, CEO Business Climate Survey respondents expressed anxieties about employment conditions, particularly to the extent that they interfere with carrying out core objectives. When asked about the challenges pertinent to their industry, 56 percent cited wage and hour issues, followed by concerns about the California Environmental Quality Act (41 percent) and the Sarbanes-Oxley Act (33 percent). These responses are found in Question 17 of the CEO Business Climate survey. On the latter two issues, the Silicon Valley Leadership Group has for some time expressed apprehensions to state and federal public policy makers. Beyond the laws made at the national and state levels of government, business must comply with a web of regulations, some of which are considered more onerous than others. Among those respondents focusing on the regulatory environment, wage and hour issues spiked to 56 percent, up from 48 percent in 2015. Concerns about the California Environmental Quality Act (CEQA), lessened somewhat in 2016 to 41 percent, down from 50 percent the previous year. Federal legislation commonly referred to as Sarbanes-Oxley, an accounting and financial measure passed by Congress in 2002, was referenced by one-third of the survey respondents. Dodd-Frank and California’s AB 32 (officially known as the California Global Warming Solutions Act) rounded out the top five issue areas, dupli-cating their positions in 2015.

Challenges notwithstanding, several attributes in Silicon Valley combine to make the region fertile ground for leading companies. Access to skilled labor was cited in the 2016 survey by 79 percent of the respondents as the single most important factor, followed by the entrepreneurial mindset of the community, mentioned by 72 percent. These two categories reversed positions from the previous survey. The reliably mild weather climate in the Valley was singled out by 56 percent of the survey participants, followed by the proximity of companies to their customers, which received recognition from 53 percent of the respondents. These two categories also flipped positions from the previous year. Respondents rounded out the top five categories by mentioning the availability of world class universities, which received attention from 48 percent. Even though there were slight variations in rankings, these five categories were also the most mentioned categories in 2015.

Strengths

Economic success in Silicon Valley has spawned a variety of positive by-products. Philanthropic donations are up, the local tax base has grown, and an abundance of world-class talent has flowed into the region. Yet, even success has some downsides. In Silicon Valley, housing is tight and prices are high, forcing employees to weigh longer commute times against expensive housing. Increasingly, more businesses are competing for the services of a numerically inadequate talent pool, often leading to demands for more H-1B workers unavailable because of unrealistically low annual caps. Traffic congestion is the worst in years, threatening everything from on-time arrivals at work to deliveries of product. One recent report finds that Silicon Valley has four of the ten worst commutes in the Bay Area. There have been some efforts by governments to remedy these infrastructure problems in recent years, although improvements have not kept up with growing needs.

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Challenges abound. First and foremost are the incredible difficulties associated with housing. In the 2016 survey, 86 percent of the respondents identified housing as the number one concern for their employees, up from the already high 84 percent cited in 2015, and up 14 percent from just two years ago. Beyond that, traffic congestion surged to second place, cited by 76 percent of the survey participants, and up from 63 percent just one year ago. Employment recruitment/retention, always a competitive element, ranked third at 71 percent. Yet below these concerns were business taxes (39.7 percent) and business regulations (35.1 percent). The simple fact is this finding the best conditions for employees summates CEO business climate concerns in 2016.

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What are the top 5 business regulation challenges in Silicon Valley?

<table>
<thead>
<tr>
<th>Regulation</th>
<th>2016 Percentage</th>
<th>2015 Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>CEDOA</td>
<td>41%</td>
<td></td>
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<tr>
<td>Sarbanes-Oxley Act</td>
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<td>28%</td>
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<td>32%</td>
</tr>
<tr>
<td>AB 32 requirements</td>
<td>16%</td>
<td>17%</td>
</tr>
<tr>
<td>CEQA</td>
<td>16%</td>
<td>22%</td>
</tr>
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What are the top strengths of doing business in Silicon Valley?

<table>
<thead>
<tr>
<th>Strength</th>
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<tr>
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<td>72%</td>
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<td>Climate and weather</td>
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<td>59%</td>
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<td>Access to skilled labor</td>
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<td>80%</td>
</tr>
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Throughout history, business and government have had a complex relationship. It’s no different today. On the one hand, they serve different constituencies. Businesses employ workers who create products, which in turn, are sold and distributed to customers. Governments exist to provide a framework for society, generating funds for that framework from taxes and then using those funds to distribute various services to the public. At first blush, it would seem that these two bodies operate in different environments with different objectives. Of course, we know this is not entirely the case.

More than ever, the 21st century economy consists of complex interaction between the private and public sectors. Bearing in mind this relationship, the Silicon Valley Leadership Group provides data, reports, and analyses for government leaders on a continuing basis. Information is shared through a variety of conduits, including symposia, exchanges between the corporate sector and academia, and one-on-one meetings between Leadership Group members and elected officials and regulators in Sacramento and Washington, D.C. These communications strategies are critical to policy makers, who often benefit from insights they otherwise would not have.

At the state level, Leadership Group members pay close attention to the governor, legislators, and regulators, where they seek to find common ground on issues of concern.

Legislation

With an economy equal to that of the seventh largest nation in the world, California stands out as the nation’s most populous and important state. The legislative process in the Golden State is extraordinarily complicated due to the large number of bills introduced each two-year session (typically between 4,500 and 5,000), the committee system, and leadership in the two legislative chambers. Generally speaking, close to half of the bills pass both chambers, and about 85 percent of those are signed into law by the governor. On this complex network of activities, part of the work of the Silicon Valley Leadership Group centers on recommending legislation important to the members and the general community as well as following and speaking on proposals wending their way through the legislative process.

Of particular concern are issues such as K-12 public education funding, transportation and other infrastructure components, environmental management, workplace conditions, and regulation and taxation. In one way or another, each of these broad areas intersects with longstanding efforts of Leadership Group companies to keep the local economy successful and vibrant. All of which begs the question, how is the state legislature performing? In keeping with past surveys, the 2016 instrument asked respondents to evaluate the legislature’s work over the past year on a one-to-five scale, with one being the best and five being the worst. For the 2016 survey, 44 percent classified the legislature’s policies as being on “the wrong track” (categories 4 and 5 combined), whereas 23 percent declared the legislature’s policies on “the right track” (categories 1 and 2 combined). These data show a marked improvement from 2015, when 53 percent viewed the legislature on “the wrong track” and 18 percent classified the legislature on “the right track.” Of significance is that the 2016 responses show better scores for the state legislature for the second consecutive year.

Regulations

Beyond the legislative arena, California has a catacomb of more than 200 regulatory agencies and 100 boards. Often removed from the public eye, these policy making bodies have major impacts on businesses and the general economy. Whether on working conditions, environmental rules, licensing requirements, or other conditions, these agencies can either impede or facilitate economic growth and vitality. In the 2016 survey, respondents continued past evaluations with negative reviews of the state’s regulatory apparatus, although the criticism was a bit diminished; 47 percent declared regulatory activities on “the wrong track,” compared with 18 percent who said they were on “the right track.” For 2015, the responses were 60 percent and 19 percent, respectively. Although the evaluations of the state regulatory environment have improved a bit in 2016, they still are negative by a greater than two-to-one margin.
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The Governor

Although California has three “co-equal” branches of government, the governor is by far the most powerful policy-making actor. For several years, the Leadership Group had negative evaluations of the governor’s ability to foster a healthy business climate in Silicon Valley. However, evaluations improved during the Arnold Schwarzenegger years and have continued during the Jerry Brown administration, although the current survey results show a slight dip in popularity. In the 2016 survey, 51 percent declared the governor on “the right track,” compared with 56 percent in 2015. Twenty-two percent classified the governor on “the wrong track” in 2016, the same response level as in 2015.

As an organization dedicated to promoting world-class public policy in the region, state, and nation, the Silicon Valley Leadership Group dedicates considerable resources to improving the working conditions and quality of life in California and the Valley. Locally, the organization has vigorously promoted voter approval on transportation, environmental, education, and affordable housing measures, including a $12 parcel tax on the June 7, 2016 ballot for Bay Area counties to protect San Francisco Bay. Whether on working conditions, environmental rules, licensing requirements, or other conditions, the Leadership Group has sought to better the setting for its member companies, employees, and society at all levels of governmental activity.

At the Local Level

The Leadership Group has partnered with local government officials, who often solicit the organization’s opinions on issues relevant to living conditions and the general economy in Silicon Valley. Given this entree, the CEO Business Climate Survey solicited its members’ ideas on the top three changes local governments might undertake to improve the business climate for the region. As in the past, traffic congestion concerns occupied the greatest attention of respondents, drawing critical comments from 69 percent, a substantial increase of 8 percent from 2015. More affordable housing developments captured the attention of 58 percent, up 10 percent from 2015. Improved public education at the K-12 level of instruction came in third with 38 percent, down from 46 percent in 2015. Clearly infrastructure concerns were on the minds of survey respondents.

At the State Level

Given the ongoing relationship between business and government at the state level, the CEO Business Climate Survey asked respondents to prescribe the five most important changes state lawmakers could make to improve conditions for Valley companies and their employees. Consistent with responses to questions about local governments, respondents’ concerns about traffic and transportation received the greatest attention. In the 2016 survey, 71 percent recommended attention to this issue compared with 64 percent in 2015. More affordable housing was cited by 57 percent, up sharply from 45 percent in 2015 and, no doubt, growing recognition of a problem that seems to worsen with time. Forty percent of the respondents pointed to strengthened K-12 public education, approximating 42 percent who mentioned this issue in 2015. Strengthened higher education was mentioned fourth by 33 percent, followed by streamlined regulatory permit approvals, mentioned by 28 percent. All five of these responses were the top answers in 2015.
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As part of its effort to gauge member concerns, the CEO Business Climate Survey routinely enquires about looming public policy issues. In the 2016 report, members were asked about the Trans-Pacific Partnership trade package, the state surplus, and a proposal to add a “gross receipts tax” on San José businesses with annual revenues of one million dollars or more, whether they are profitable or not.

State Budget Surplus

Recovery from the Great Recession and passage of the Proposition 30 tax package in 2012 have produced a series of recent surpluses for the California state budget. Given California’s myriad pressing needs—many of which have been ignored or deferred for years—the CEO Survey asked respondents how the state should allocate surplus funds. The strongest support went to transportation, which was cited by 90 percent of the members. K-12 public education, a perennial concern received support from 74 percent, while 64 percent favored building reserves/paying down the state debt.

How could federal government improve the business climate for your company?

60% SIEM education to develop domestic talent
56% Comprehensive tax reform
53% H1-B visa/green card reform
47% Cybersecurity
28% Repatriation of foreign earnings

The nonpartisan state Legislative Analyst’s Office (LAO) projects that—absent changes in this year’s budget process—the state would end 2016-2017 with $11.5 billion in reserves, including $4.3 billion available for any purpose. Which of the following options do you favor for the surplus?

Building reserves; reducing debt
Transportation
Higher education
K-12 education
Labor and workforce development
Business, consumer services, and housing (infrastructure)
Health and human services
H1-B Visa reform
Higher education
Corrections and rehabilitation
General government and government operation

At the Federal Level

Leadership Group members meet with members of Congress and federal officials on a regular basis in an attempt to both promote dialogue and inform public officials of area needs. Given the prominent federal role in the state and region, such meetings are necessary and sometimes fruitful in finding common ground. Bearing in mind this important relationship, the CEO Business Climate Survey asked participants to identify the five most important issue areas for attention by the federal government. Support for science, technology, engineering and math (STEM) education to develop more domestic talent received the greatest support, cited by 60 percent of the participants. This category was third in priority in 2015 with support from 50 percent.

Clearly, participants are concerned about a severe talent shortage in the region which could interfere with innovation and product development. Comprehensive tax reform was mentioned by 56 percent of the participants, slightly down from the 62 percent who cited the category as their number one concern in 2015. Slightly more than half of the participants expressed concern for H1-B Visa/green card reform, the third most cited category, once again reflecting the Leadership Group’s uneasiness about a reliable labor supply. The fourth most cited area, cybersecurity, was mentioned by 47 percent of the participants. Repatriation of foreign earnings came in fifth, with concern expressed by 28 percent of the members. Other than repatriation, the other four responses appeared on the top five list in 2015. Clearly, participants are concerned about a severe talent shortage in the region which could interfere with innovation and product development. Comprehensive tax reform was mentioned by 56 percent of the participants, slightly down from the 62 percent who cited the category as their number one concern in 2015. Slightly more than half of the participants expressed concern for H1-B Visa/green card reform, the third most cited category, once again reflecting the Leadership Group’s uneasiness about a reliable labor supply. The fourth most cited area, cybersecurity, was mentioned by 47 percent of the participants. Repatriation of foreign earnings came in fifth, with concern expressed by 28 percent of the members. Other than repatriation, the other four responses appeared on the top five list in 2015.
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The nonpartisan state Legislative Analyst’s Office (LAO) projects that—absent changes in this year’s budget process—the state would end 2016-2017 with $11.5 billion in reserves, including $4.3 billion available for any purpose.

Which of the following options do you favor for the surplus:

90% Transportation 8% Environmental protection 1% Labor and workforce development
47% H1-B visa/green card reform 46% Comprehensive tax reform 16% Higher education 6% Health and human services
64% Building reserves; reducing debt 24% Higher education 4% K-12 education 5% Labor and workforce development
1+1=2 Transportation 74% Business, consumer services, and housing (infrastructure) 2% Environmental protection
67% K-12 education 28% Health and human services 5% Corrections and rehabilitation 40% General government and government operation
Results from the 2016 CEO Business Climate Survey would seem to suggest a sense of ongoing but cautious optimism for the Leadership Group, their employees, and Silicon Valley. On the one hand, Valley companies intend to expand in the coming year, although not quite at the rate of the previous year. The governor continues to have strong support and concerns about constraining regulations has abated a bit. On the other hand, Valley companies persist with concerns about high housing costs for employees, worries about K-12 public education, and a potentially untrained and unreliable labor pool. In short, this is a time to be vigilant.

Threats to the region abound, ranging from an outdated H1-B program to an outmoded transportation network which threatens delivery of products as well as the commuting abilities of employees. The uncertain status of the Trans-Pacific Partnership trade agreement and the potential of new taxes are new causes for concern in the short term. In a competitive environment such as this, small changes can lead to big problems.

Some elected officials are clearly aware of the dynamic tensions in the region and have shown a willingness to partner with the Leadership Group on important issues such as sales tax increases for public safety and other pressing needs, the Housing Trust Silicon Valley, and the extension of the Bay Area Rapid Transit system. These successes may well serve as templates for other areas of cooperation in the future.

-Larry N. Gerston

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1. Which of the following most closely describes your industry sector:

29. 16.3% Software
32. 14.0% High-Tech/Manufacturing/Semicductor
24. 13.5% Internet/Communications
22. 12.9% Finance/Financial/Professional/Venture Capital
22. 12.4% Energy/Clean Tech/Utilities
13. 7.5% Gen Manufacturing/Aerospace/Defense
8. 4.6% Bio-Tech/Med-Tech/Pharma
7. 3.9% Education/University
7. 3.9% Health & Hospital System
4. 2.2% Transportation
3. 1.7% textile/fashion
2. 0.6% Don’t know/No Answer
12. 6.7% Other, please specify

2. Number of employees in Silicon Valley:

13. 28.6% 1-20
31. 17.4% 21-100
21. 15.9% 1-100
22. 12.4% 101-500
18. 10.0% 501-1000
8. 5.3% 1000-5000
5. 3.3% 5000-10,000
3. 1.7% Don’t know/no answer

3. Since January 1, 2015, have you added, stayed the same or subtracted jobs in Silicon Valley?

110. 63.8% Added jobs
48. 27.5% Stayed the same
13. 7.3% Subtracted jobs
6. 3.4% Don’t know/No answer

4. If added, how many?

49. 45.0% 1-20
39. 34.9% 21-100
11. 10.1% 101-250
5. 4.6% 251-500
2. 1.8% 501-1000
3. 2.8% More than 1000
0. 0.0% Don’t know/no answer

5. If subtracted, how many?

23. 21.2% 1-20
6. 4.6% 21-100
2. 1.8% 101-250
1. 0.7% 251-500
3. 2.8% More than 1000
0. 0.0% Don’t know/no answer

6. Beginning January 1, 2016, does your company expect to add jobs, subtract jobs, or stay the same in Silicon Valley?

102. 58.3% Add jobs
54. 30.9% The Same
4. 4.0% Subtract jobs
11. 6.3% Don’t know/No Answer

7. How many jobs do you expect to add?

57. 55.9% 1-20
24. 23.1% 21-100
8. 5.9% 101-250
3. 3.3% 251-500
0. 0.0% 501-1000
1. 1.0% More than 1000
7. 8.0% Don’t know/No Answer

8. How many jobs do you expect to subtract?

5. 35.7% 1-20
5.35% 21-100
0. 0.0% 101-250
0. 0.0% 251-500
1. 1.7% More than 1000
21.4% Don’t know/no answer

9. Did your company move jobs to another state since January 1, 2017?

14. 10.5% Yes
11. 7.5% No
8. 4.6% Don’t know/no answer

10. What was the most important reason your company moved jobs out of the U.S. since January 1, 2017?

13. 38.0% State and corporate taxes
11. 15.9% Reduced labor costs
4. 11.9% Proximity to customers
4. 11.9% Other
2. 5.8% More available workforce
1. 2.8% Lower land / lower infrastructure costs
0. 0.0% Lower regulation
0. 0.0% Government mandate in new location / not supported in CA
0. 0.0% Don’t know/no answer
6. 16.7% Other

11. Did your company move jobs to another country since January 1, 2017?

25. 14.0% Yes
41. 10.1% No
8. 4.6% Don’t know/no answer

12. What was the most important reason your company moved jobs out of the U.S. since January 1, 2017?

13. 52.0% Reduced labor costs
12. 12.0% Government mandate in new location
12. 12.0% More available workforce
12. 12.0% Proximity to customers
4. 11.9% Less federal regulation
4. 11.9% Lower land / lower infrastructure costs
4. 11.9% More convenient supply chain
0. 0.0% U.S. corporate taxes
0. 0.0% Don’t know/no answer
0. 0.0% Other, please specify

13. How do you see job growth in Silicon Valley in your industry sector in 2020?

61. 47.0% Better
28. 16.1% Worse
31. 20.8% No change
6. 4.6% Don’t know/no answer

14. What are the top 5 benefits/strengths of doing business in Silicon Valley?

137. 72.9% Access to skilled labor
124. 71.5% Entrepreneurship
97. 56.1% Climate / weather
92. 53.2% Proximity to customers and competition
83. 48.0% World class universities
65. 31.9% Access to venture capital
62. 31.9% Ethnic diversity
45. 26.0% Highly educated workforce
34. 21.7% Access to airports / airports
32. 21.7% Access to technical talent
12. 12.0% Attractions
9. 9.0% Community
11. 11.0% Pacific Rim
6. 6.0% Other, please specify

15. What are the top five business challenges in Silicon Valley?

149. 85.6% High housing costs for employees
122. 70.4% Traffic congestion
121. 71.3% Employee recruitment / retention costs
69. 39.6% Business taxes
61. 35.1% Business regulations
26. 20.9% Immigration/H1-B visas / green cards
24. 14.9% Shortage of skilled workers
24. 14.9% Health care costs
24. 14.9% Physician shortages/patients overwhelmed
11. 5.9% Don’t know/no answer

16. Because you answered “Business Regulations” for one of the following challenges applied:

14. 57.2% Access to capital
28. 28.8% Paid family leave
9. 9.0% Access to transportation / cargo
2. 2.2% Don’t know/no answer
7. 4.0% Other, please specify

17. What are the top three cost drivers in Silicon Valley in your industry sector and their families?

157. 94.2% Housing costs
66. 71.3% Traffic congestion
51. 51.0% High taxes
45. 46.2% Child Care Costs
31. 31.0% Health Care
23. 23.0% K-12 Education
11. 11.0% Higher Education
9. 9.0% Energy costs
5. 5.0% Don’t know/no answer
0. 0.0% Other, please specify

18. What top three changes could local government undertake to improve the business climate for your company?

117. 68.8% State/local street and road congestion
101. 59.4% More affordable housing developments
63. 38.0% Improve K-12 public education
43. 25.3% Streamline permit approval process
36. 21.2% Provide more community college
21.2% manufacturing workforce development
23. 15.4% Reduce public pension costs
22. 14.7% Fund more street maintenance/roadhole repairs
17. 10.5% Improve public safety
8. 4.7% Enhance arts and culture
4. 2.4% Provide more parks and open space
3. 1.9% Don’t know/no answer
2. 1.3% Other, please specify

20. Which of the following issues causes the most concern for your company?

101. 59.8% STEM (science, technology, engineering and math) education to develop domestic talent
95. 56.2% Comprehensive tax reform
89. 52.7% H1-B visas / green card reform
78. 46.7% Cybersecurity
27. 28.8% Repatriation of foreign earnings
24. 27.2% Federal deficit and debt
24. 24.9% Climate change legislation to reduce greenhouse gases and increase energy security
36. 22.8% Intellectual property protection
30. 20.7% ENERGY POLICY
30. 20.7% Other, please specify

21. Does your company have a physical presence in states other than California?

128. 74.0% Yes
43. 25.1% No
1. Which of the following most closely describes your industry sector:

- 29 16.3% Software
- 25 14.0% High-Tech / Manufacturing / Semiconductors
- 24 13.5% Internet/Communications
- 23 12.9% Financial Services / Venture Capital
- 22 12.4% Energy / Clean Tech / Utilities
- 17 7.5% Gen. Manufacturing / Aerospace / Defense
- 8 4.0% Bio-Tech / Med-Tech / Pharma
- 7 3.9% Education / University
- 7 3.9% Health Care / Hospital System
- 4 2.2% Transportation
- 1 0.7% Text/Other

2. Number of employees in Silicon Valley:

- 22,000 or Higher
- 11,000-22,000
- 10,001-11,000
- 9,001-10,000
- 8,001-9,000
- 7,001-8,000
- 6,001-7,000
- 5,001-6,000
- 4,001-5,000
- 1,001-2,000

3. Since January 1, 2015, have you added, stayed the same or subtracted jobs in Silicon Valley?

- 110 61.8% Added jobs
- 48 27.5% Stayed the same
- 17 7.3% Subtracted jobs
- 8 3.9% Don’t know/no answer

4. If added, how many?

- 49 45.0% 1-20
- 38 34.9% 21-100
- 11 10.1% 101-250
- 5 4.6% 251-500
- 2 1.8% 501-1,000
- 3 2.8% More than 1,000
- 0 0.0% 1-20
- 0 0.0% 251-500
- 0 0.0% 501-1,000
- 0 0.0% More than 1,000

5. If subtracted, how many?

- 23 21.3% 1-20
- 6 46.2% 21-100
- 2 15.4% 101-250
- 1 7.7% 251-500
- 1 7.7% 501-1,000
- 0 0.0% 1-20
- 0 0.0% 251-500
- 0 0.0% 501-1,000
- 0 0.0% More than 1,000
- 0 0.0% 1-20

6. Beginning January 1, 2016, does your company expect to add jobs, subtract jobs, or stay the same in Silicon Valley?

- 102 58.3% Add jobs
- 54 30.9% The Same
- 8 4.6% Subtract jobs
- 11 6.3% Don’t know/no Answer

7. How many jobs do you expect to add to?

- 57 55.9% 1-20
- 24 23.1% 21-100
- 8 7.6% 101-250
- 5 4.7% 251-500
- 0 0.0% 501-1,000
- 1 0.9% More than 1,000
- 8 7.6% Don’t Know/No Answer

8. How many jobs do you expect to subtract to?

- 137 79.2% 1-20
- 35 19.7% 21-100
- 0 0.0% 101-250
- 0 0.0% 251-500
- 0 0.0% 501-1,000
- 1 0.6% More than 1,000
- 8 4.6% Don’t know/no answer

9. Did your company move jobs to another state since January 1, 2015?

- 34 19.5% Yes
- 113 75.9% No
- 0 0.0% Don’t know/no answer

10. What was the MOST important reason your company moved jobs out of the U.S. since January 1, 2015?

- 12.0% State and corporate taxes
- 11.9% Reducing labor costs
- 11.1% Proximity to customers
- 11.0% Other
- 5.8% More available workforce
- 4.9% Lower land / lower infrastructure costs
- 4.0% Lower real estate
- 4.0% Government incentives in new location
- 3.9% Don’t know/no answer
- 1.6% Other

11. Did your company move jobs to another country since January 1, 2015?

- 25 14.9% Yes
- 141 81.0% No
- 0 0.0% Don’t know/no answer

12. What was the most important reason your company moved jobs out of the U.S. since January 1, 2015?

- 12.0% Reduced labor costs
- 12.0% Government incentives in new location
- 12.0% More available workforce
- 11.9% Proximity to customers
- 10.8% Less federal regulation
- 4.0% Lower land / lower infrastructure costs
- 4.0% More convenient supply chain
- 3.9% Lower corporate taxes
- 0 0.0% Don’t know/no answer
- 0 0.0% Other, please specify

13. How do you see job growth in Silicon Valley in your industry sector in 2016?

- 63 41.7% Better
- 28 17.1% Worse
- 17 10.8% No change
- 3 1.9% More
- 3 1.9% Don’t know/no answer

14. What are the top five business challenges in Silicon Valley?

- 101 59.8% High housing costs for employees
- 97 56.2% Traffic congestion
- 91 52.7% Employee recruitment / retention costs
- 82 47.6% Business regulations
- 67 39.6% Health care costs
- 67 39.6% Repatriation of foreign earnings
- 57 32.8% Internet privacy
- 52 29.9% Subsidize local street and road congestion
- 47 27.8% Avoid split roll tax
- 44 25.4% Provide more community college funding

15. What are the top five business challenges in Silicon Valley?

- 117 68.8% Lack of skilled and trained workers
- 107 59.4% More affordable real estate
- 85 48.2% Provide more community college funding
- 68 38.2% More affordable real estate
- 57 32.8% High housing costs for employees
- 52 29.9% Provide more community college funding
- 47 27.8% Repatriation of foreign earnings
- 44 25.4% Free up more public budget
- 37 21.3% High housing costs for employees
- 34 19.7% High housing costs for employees

16. What are the top three cost of living challenges in Silicon Valley and their families?

- 252 149.3% Housing costs
- 177 101.2% Health Care
- 128 72.0% Child Care
- 60 33.5% Higher Education
- 53 30.2% Energy costs
- 43 24.7% Frivolous lawsuits
- 23 13.0% Child Care
- 19 10.8% High taxes
- 12 7.1% Health care costs
- 5 2.9% Other, please specify

17. What are the top three changes you would like to see in the state government to improve the business climate for your company?

- 6 3.5% Increase state funding for health care
- 5 2.9% Increase state funding for K-12 education
- 4 2.4% Increase state funding for K-12 education
- 3 1.7% Promote more job training
- 2 1.2% Promote more job training
- 2 1.2% Promote more job training
- 1 0.6% Promote more job training
- 1 0.6% Promote more job training
- 1 0.6% Promote more job training
- 1 0.6% Promote more job training

18. What top three changes could local government undertake to improve the business climate for your company?

- 128 74.0% No change
- 43 25.1% No
22. Please select the states in which you have a physical presence:

72 53.4% California
68 54.0% Texas
47 37.3% New York
46 36.3% Illinois
44 34.9% Georgia
43 33.9% Colorado
42 33.9% Florida
40 31.7% North Carolina
39 31.0% Arizona
38 32.6% District of Columbia
36 28.4% Oregon
31 24.6% New Jersey
23 23.8% Virginia
23 23.0% North Carolina
23 23.0% Pennsylvania
21 21.4% Ohio
21 21.4% Utah
21 19.8% Maryland
18 19.0% Tennessee
17 17.5% Alabama
17 17.5% Michigan
17 17.3% Minnesota
17 17.3% Nevada
15 15.9% Connecticut
15 15.1% Maine
14 14.9% Hawaii
14 13.5% Indiana
13 13.5% South Carolina
13 12.7% New Hampshire
11 11.9% Kentucky
11 11.9% New Mexico
11 11.8% Wisconsin
11 11.3% Louisiana
11 10.3% Arkansas
10 10.3% Delaware
10 10.3% Missouri
10 9.5% Kansas
9 9.5% Rhode Island
8 8.7% Maine
7 7.9% Iowa
7 7.9% Wyoming
7 7.9% Montana
7 7.9% Nebraska
6 7.9% Vermont
7 7.9% West Virginia
6 7.1% Alaska
6 4.8% North Dakota
6 4.8% South Dakota
6 4.8% Wyoming

23. Please select the cities in which you have a physical presence:

79 63.7% San José, California
51 41.1% San Francisco, California
34 24.7% Los Angeles, California
31 23.5% Boston, Massachusetts
30 21.4% Washington, District of Columbia
29 20.6% Dallas, Texas
25 20.2% Seattle, Washington
24 20.1% Atlanta, Georgia
20 20.4% Austin, Texas
18 19.2% Denver, Colorado
20 19.8% Chicago, Illinois
21 20.0% New York, New York
20 19.2% Phoenix, Arizona
21 20.4% Portland, Oregon
21 20.1% San Diego, California
21 20.2% Houston, Texas
21 19.4% Other, please specify
18 18.5% Sacramento, California
22 17.7% Raleigh, North Carolina
20 16.2% Miami, Florida
20 16.2% Oakland, California
16 14.5% Las Vegas, Nevada
16 14.5% Baltimore, Maryland
16 14.5% Minneapolis, Minnesota
12 11.3% Charlotte, North Carolina
13 11.3% Columbus, Ohio
13 11.3% San Antonio, Texas
10 10.3% Nashville, Tennessee
12 9.7% Sacramento, California
13 9.7% Colorado Springs, Colorado
12 9.7% Cleveland, Ohio
11 9.0% Jackson, Mississippi
11 9.0% Indianapolis, Indiana
10 8.9% Memphis, Tennessee
12 8.9% Fort Worth, Texas
10 8.1% Long Beach, California
9 7.3% Mesa, Arizona
9 7.3% Kansas City, Missouri
9 7.3% Albuquerque, New Mexico
9 7.3% Oklahoma City, Oklahoma
9 7.3% Milwaukee, Wisconsin
8 6.5% Louisville, Kentucky
8 6.5% Tulsa, Oklahoma
8 6.5% El Paso, Texas
7 5.6% Arlington, Texas
6 4.8% Fresno, California
6 4.8% Omaha, Nebraska
6 4.8% Virginia Beach, Virginia
6 4.0% Wichita, Kansas

24. Are you a multinational corporation?

85 51.0% Yes
86 50.3% Yes
84 49.7% No

25. What are your top three reasons for having a physical presence outside of the U.S.?

25 10.3% Lower Corporate Tax Rate
22 13.3% Closer to Customers
20 12.2% Talent / Workforce
16 11.3% Taxes
16 11.3% Lower Cost of Doing Business
16 11.3% Lower Cost of Living
15 11.0% Regulatory Differences
14 11.0% Other, please specify
14 10.3% Other, please specify
14 10.3% Higher Profits
12 9.5% Other, please specify
11 9.5% Regulatory Differences
11 9.5% Tax Differences
11 9.5% Higher Profits
11 9.5% Other, please specify

26. What percentage of your 2015 revenue is from sales outside of the U.S.?

13 10.3% 0-10%
11 9.5% 10%-20%
9 8.2% 20%-30%
7 5.6% 30%-40%
6 4.0% 40%-50%
5 3.3% 50%-60%
5 3.3% 60%-70%
4 2.4% 70%-80%
4 2.4% 80%-90%
1 0.8% 90%-100%

27. Do you support President Obama's effort to enact the Trans-Pacific Partnership?

14 11.0% Strongly support
10 8.5% Somewhat support
6 5.0% Not sure
4 3.3% Somewhat oppose
1 0.8% Strongly oppose

28. The nonpartisan state legislative Analyst Office (LAO) projects an up to 5.3 billion state budget surplus. Based on the state’s current 2016-2017 budget, which of the following areas would you support changes in state expenditures?

Increase Decrease Stay the Same
103 3 33 K-12 education
90 7 33 Higher education
45 23 58 Health and human services
8 50 67 Corrections and rehabilitation
72 14 47 Business, Consumer Services, and Housing (infrastructure)
130 2 12 Transportation
43 22 73 Environmental Protection and Natural Resources
56 17 63 Labor and Workforce Development
8 65 57 General Government and Government Operations
86 5 43 Building Revenues Reducing debt

29. Generally speaking, would you say that:

Right 2 3 4 Wrong Average
8% 15% 32% 21% 23% 3.36 Statewide legislation is on the right track (1) or the wrong track (5) in creating a healthy business climate?
55 66.3% Close to Customers
39 47.0% Lower Cost of Doing Business
36 45.4% Talent / Workforce
26 31.3% Close to Supply Chain
21 27.1% Lower Corporate Tax Rate
15 18.1% More Competitive Incentives than U.S.
5 6.0% U.S. Regulations
11 13.3% Other, please specify

30. In this economy, what should be the top three priority issues for the Silicon Valley Leadership Group that would be worth your personal involvement?

56 36.4% Encourage your company to leave San José
56 36.4% No opinion/no answer
56 36.4% Other, please specify

31. The City of San José is considering adoption of an annual "Gross Receipts Tax" on businesses that have annual receipts of $1 million or more. If the tax is passed, would you:

54 32.4% Have no impact on your decision to stay or come to San José
54 32.4% No opinion/no answer
54 32.4% Other, please specify

32. What is the priority of $1 million or more. If the tax is passed, would you:

50 30.1% Have no impact on your decision to stay or come to San José
50 30.1% Other, please specify
50 30.1% No opinion/no answer

33. In this economy, what should be the top three priority issues for the Silicon Valley Leadership Group that would be worth your personal involvement?
22. Please select the states in which you have a physical presence:

- 20 CEO BUSINESS CLIMATE SURVEY 2016 SILICON VALLEY LEADERSHIP GROUP

22. Please select the states in which you have a physical presence:  
7. 53.1% California  
   68. 54.0% Texas  
   47. 37.5% New York  
   46. 36.3% Massachusetts  
   44. 34.9% Georgia  
   44. 34.9% Washington  
   43.3% Colorado  
   43. 31.9% Florida  
   40. 31.8% Idaho  
   39. 31.0% Oregon  
   38. 30.4% District of Columbia  
   37. 26.4% Oregon  
   32. 24.8% New Jersey  
   32. 23.6% Virginia  
   29. 23.0% North Carolina  
   29. 23.0% Pennsylvania  
   27. 21.4% Ohio  
   27. 21.4% Utah  
   25. 19.3% Maryland  
   24. 19.0% Tennessee  
   22. 17.5% Alabama  
   22. 17.5% Michigan  
   22. 17.3% Kansas  
   21. 15.9% Connecticut  
    15. 13.1% Maine  
   13. 13.0% Hawaii  
   13. 13.0% Indiana  
   13. 13.0% South Carolina  
   12. 12.7% New Hampshire  
   12. 11.9% Kentucky  
   11. 11.9% New Mexico  
   11. 11.9% Wyoming  
   11. 11.1% Mississippi  
   11. 11.0% Nebraska  
   11. 11.0% Wisconsin  
   11. 11.0% Louisiana  
   11. 10.3% Arkansas  
   10. 10.3% Delaware  
   10. 10.3% Maryland  
   12. 9.5% Kansas  
   12. 9.5% Rhode Island  
   12. 9.5% Maine  
   12. 9.0% Iowa  
   12. 9.0% Montana  
   12. 9.0% Nebraska  
   9. 9.0% Vermont  
   9. 9.0% West Virginia  
   7. 9.1% Alaska  
   6. 4.8% North Dakota  
   6. 4.8% South Dakota  
   6. 4.8% Wyoming  

23. Please select the cities in which you have a physical presence:

- 17.7% Philadelphia, Pennsylvania  
   20.1% Miami, Florida  
   18.1% Oakland, California  
   14.5% Las Vegas, Nevada  
   12.0% Baltimore, Maryland  
   14.9% Minneapolis, Minnesota  
   12.1% Detroit, Michigan  
   11.3% Charlotte, North Carolina  
   11.3% Columbus, Ohio  
   10.9% Nashville, Tennessee  
   9.7% Tucson, Arizona  
   9.7% Colorado Springs, Colorado  
   9.7% Cleveland, Ohio  
   8.9% Austin, Texas  
   8.9% Indianapolis, Indiana  
   8.9% Memphis, Tennessee  
   8.9% Fort Worth, Texas  
   8.1% Long Beach, California  
   7.3% Mesa, Arizona  
   7.3% Kansas City, Missouri  
   7.3% Albuquerque, New Mexico  
   7.3% Oklahoma City, Oklahoma  
   7.3% Milwaukee, Wisconsin  
   6.5% Louisville, Kentucky  
   6.5% Tulsa, Oklahoma  
   6.5% El Paso, Texas  
   5.6% Arlington, Texas  
   4.8% Fresno, California  
   4.8% Omaha, Nebraska  
   4.8% Virginia Beach, Virginia  
   4.0% Wichita, Kansas  

24. Are you a multinational corporation?

- 86. 51.0% Yes  
  - 49.0% No  

25. What are your top three reasons for having a physical presence outside of the U.S.?

- 20.0% Tax Policy and Tax Incentives  
  - 20.0% Lower Corporate Tax Rate  
  - 20.0% Lower Cost of Doing Business  
  - 20.0% Talent / Workforce  
  - 20.0% High Quality of Life  
  - 20.0% Proximity to Family  

26. What percentage of your 2015 revenue is from sales outside of the U.S.?

- 21.0% 0-10%  
  - 16.2% 11-20%  
  - 12.2% 21-30%  
  - 9.5% 31-40%  
  - 9.3% 41-50%  
  - 8.1% 51-60%  
  - 8.1% 61-70%  
  - 6.8% 71-80%  
  - 4.1% 81-90%  
  - 3.4% 91-100%  

27. Do you support President Obama’s effort to enact the Trans-Pacific Partnership?

- 101. 63.2% Pass it  
  - 42.4% Stop it  
  - 30.4% No opinion/no answer  

28. The nonpartisan state legislative Analyst Office (LAO) projects an up to $5.1 billion state budget surplus. Based on the state’s current 2016-2017 budget, which of the following areas would you support changes in state expenditures?

<table>
<thead>
<tr>
<th>Increase</th>
<th>Decrease</th>
<th>Stay the Same</th>
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<tbody>
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<td>57</td>
</tr>
<tr>
<td>86</td>
<td>5</td>
<td>43</td>
</tr>
</tbody>
</table>

29. Generally speaking, would you say that:

- 8% 15% 32% 21% 23% 3.36 |

- 8% 15% 32% 21% 23% 3.36 |

- 8% 15% 32% 21% 23% 3.36 |

- 8% 15% 32% 21% 23% 3.36 |

- 8% 15% 32% 21% 23% 3.36 |

- 8% 15% 32% 21% 23% 3.36 |

- 8% 15% 32% 21% 23% 3.36 |

- 8% 15% 32% 21% 23% 3.36 |

- 8% 15% 32% 21% 23% 3.36 |

30. In this economy, what should be the top three priority issues for the Silicon Valley Leadership Group that would be worth your personal involvement?

- 39.2% Transportation Funding Measures in Santa Clara, Santa Cruz & San Francisco Counties  
  - 30.1% Education: K-12  
  - 21.3% Housing & Land Use  
  - 22.9% Cybersecurity  
  - 19.6% Immigration Reform: H-BVisa and Green Cards for Highly Skilled Workers  
  - 18.9% Tax Policy: Comprehensive Federal Tax Reform  
  - 18.3% Education: Higher Ed  
  - 15.3% Environment  
  - 14.4% Regulatory reform: California Environmental Quality Act (CEQA)  
  - 11.1% Energy  
  - 11.1% Healthcare  
  - 10.5% Data Privacy  
  - 9.2% State Budget and Governance Reform  
  - 8.5% Bay Area Resilience & Flood Protection  
  - 7.8% Education: Pre-K  
  - 7.2% Tea Party: State R&D Tax Credits  
  - 6.5% Trade: Enact the Trans-Pacific Partnership  
  - 6.5% Other, please specify  

31. The City of San José is considering adoption of an annual 'Gross Receipts Tax' on businesses that have annual receipts of $1 million or more. If the tax is passed, would this:

- 36.4% Discourage your company from locating in San José  
  - 14.8% Discourage your company if already located in San José from expanding further in San José  
  - 14.9% Encourage your company to leave San José for other more business-friendly locations  
  - 40.7% Have no impact on your decision to stay or come to San José  

Related priority issues: infrastructure, health care, education, higher education, transportation, defense, energy, environment, workforce development, labor, insurance, technology, innovation.
The Silicon Valley Leadership Group, founded in 1978 by David Packard of Hewlett-Packard, represents more than 400 of Silicon Valley’s most respected employers on issues, programs and campaigns that affect the economic health and quality of life in Silicon Valley, including energy, transportation, education, housing, health care, tax policies and economic vitality and the environment. Leadership Group members collectively provide nearly one of every three private sector jobs in Silicon Valley.

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Karin Frakes, Comdisco
Tod Uyot, Andreaie Housevitz
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