

CEO BUSINESS CLIMATE SURVEY



2007



ANALYSIS BY:
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Message from the Leadership Group

On balance, the state of Silicon Valley's economy is sound.

As we highlight in the results of the Fourth Annual Silicon Valley CEO Business Climate Survey, most employers responded that they were hiring last year, and plan to continue to hire workers this year. Crisis-level issues just three years ago such as workers compensation rates are now barely a blip on the radar screen, after bold and bipartisan action by Governor Arnold Schwarzenegger and the State Legislature.



Carl Guardino

At the same time, the state of the Golden State's business climate is improving.

While much work still needs to be done to make California competitive with other states, let alone other nations, we are making progress. We have a governor who gets it – and the survey results indicate that our CEO colleagues concur – and a legislature that is working in an almost unprecedented way in terms of bipartisan cooperation, on issues ranging from infrastructure needs such as transportation, housing, education and water; environment, energy and economic issues such as the Global Warming Solutions Act; and workforce issues such as an increase last session in the minimum wage. More progress can and must be made at both the state and federal levels on a host of issues including immigration reform, research & development tax credits, Sarbanes-Oxley reform and patent reform.



Mike Splinter

We call on our leaders in Washington and Sacramento to partner with us to strengthen Silicon Valley's competitiveness both nationally and internationally.

As you read the results of our Fourth Annual Silicon Valley CEO Business Climate Survey, recognize that the responses of 115 CEOs/Senior Officers represent combined annual revenues exceeding \$650 billion. To place this number in perspective, it is nearly five times the annual budget for the State of California. From emerging start-ups to Fortune 500 companies, the responses from high-tech, life science, financial service and related industry CEOs are united on the issues impacting Silicon Valley.

California will be as competitive as long as our private and public sector leaders are willing to be collaborative. On behalf of the Board of Directors and 210 Member Companies of the Silicon Valley Leadership Group, we stand ready, willing and able to work together.

Sincerely,

A handwritten signature in black ink that reads "Carl Guardino".

Carl Guardino
President and CEO
Silicon Valley Leadership Group

A handwritten signature in black ink that reads "Mike Splinter".

Mike Splinter
President and CEO
Applied Materials
Board Chairman, Silicon Valley Leadership Group

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Executive Summary

The 2007 annual CEO Business Climate Survey on business and living conditions in Silicon Valley reflects the responses of 115 executives of the 210 member organization. Building off of 21 key questions, this report identifies the issues—some problematic, others well-received, others recently resolved—that frame the operating environment for the Valley’s leading companies and their employees. Where possible, the report includes comparative data from previous years that allow insight into the evolution of current trends. Key findings of the 2007 annual survey include the following observations:

- The general economic environment of the Valley continues to improve for most respondents.
- Among the challenges to Valley companies and employees, housing remains well above all others to the point of near unanimity; traffic congestion increasingly is burdensome along with emerging concerns about health care.
- Respondents show less apprehension about business regulations and high taxes, compared with previous years.
- Concern about an unfair workers’ compensation program has abated dramatically for most Valley CEO’s.
- More than 60% of the companies responding to the survey have added jobs in the Valley over the past year.
- Half of responding companies intend to add jobs in 2007, dwarfing the 12% who project job declines.
- Selective sectors are hampered by onerous regulations and skewed legislation much more than others.
- Leadership Group members continue to have a considerably greater comfort level with the Governor than the State Legislature or state regulators.

Overview

Democratic governance has at its roots a close relationship between those in official positions of public authority and those who are affected by the actions of public authorities. As an entity outside the official decision making process, the Silicon Valley Leadership Group (the Leadership Group) is squarely located in the latter category. That said, the Leadership Group enjoys the reputation of a highly influential body with governmental agencies at the national, state, and local levels of governance, due in no small part to the organization’s ability to communicate its grasp of public policy issues to appropriate authorities.

The Leadership Group began as a civic minded organization of technology-based employers. Founded in 1978 by well known industrialist David Packard, the Leadership Group has morphed in ways similar to the transformation of the Valley from the heart of agriculture to the nerve center of technology. Now, nearly thirty years later, the organization’s network extends to industries and business clusters that affect the wellbeing of technology and related sectors in Silicon Valley and beyond. The result has been a staggering gathering of economic success that has molded the Valley’s environment.

Combined, members of the Leadership Group:

- Produce more than \$1 trillion of services and products in the global economy, exceeding the entire nation of Mexico
- Have a workforce of more than 250,000 individuals in the Valley, amounting to about one-fourth of the entire private sector.
- Span numerous state and federal legislative districts, including 14 state assembly districts, 8 state senate districts, and 6 congressional districts.

What follows is a summary of the latest Leadership Group survey of its CEOs and high-ranking executives. The results reveal much about the membership and even more about the needs and successes of the region known as Silicon Valley.

About the Survey

Between December 2006 and January 2007, the Silicon Valley Leadership Group conducted its fourth annual CEO survey on the business climate and living conditions in Silicon Valley. The survey was distributed to all 210 member companies. At the end of the six week polling period, 115 executives replied to the survey, or a participation rate of 55%, which is more than five times higher than the response rate for similarly conducted surveys. While each respondent has his or her reasons for providing information, clearly the involvement of such a large percentage suggests an unusually high level of interest in the conditions of the region.

Building on successful 2006 employment data, the 2007 report shows healthy increases in employment and relatively few lost jobs. Still, there are other issues which, if not addressed, could easily jeopardize the recent gains in the region. More than ever, respondents worry about affordable housing and traffic—key ingredients to a healthy infrastructure and fully functioning society. Respondents also feel a bit of relief in K-12 public education, perhaps a reflection of increased investment by the state in recent years. Clearly, the economy overall is in better shape now than in the recent past; just as clearly, however, the economic environment is anything but permanently stable.

As in the past, member companies were organized into 12 sectors to gather opinions on general matters

as well as sector-specific issues. Upon analysis of the data, the 12 sectors were collapsed into eight categories, thereby providing larger numbers in fewer cells.¹ Table 1 provides the breakdown of participants.

In most categories, the representation of companies in 2007 resembles the respondents of 2005 and 2006. One prominent exception exists with the software industry, which has significantly more respondents this year.

Key Findings

Improving the Quality of Life - Top 3 Cost of Living Challenges

Economic engines tend to chug erratically, often with little regard for long-term issues or trends. This has been the case especially in Silicon Valley where, after attaining spectacular successes in the late 1990s, many companies suffered declines, imploded or left the region altogether. As a result, the Valley stumbled in ways uncharacteristic for a region with a reputation for economic vitality. Slowly the area has been coming back, thanks to re-tooling, greater productivity, and expansion in new markets. Recent reports point a new optimism of Valley leaders based in part on solid corporate performances in 2005 and 2006.

Still, competing in an ever-increasing global economy, companies are confronted by a series of challenges for their companies and employees. Along these lines Leadership Group member company leaders were asked to choose the top three cost of living challenges facing families in Silicon Valley. Table 2 presents the findings from this question.

As in 2006, nearly all valley executives target housing as the number one concern for their employees, exceeding the nearly unanimous responses in 2005. Beyond this response, however, executives are worried about traffic congestion and health care. Increased traffic reflects the continuing rebound of the area; more people going to work means more people traveling on the roads. In fact, of all the responses, the concern over traffic rose more than any other.

Table 1
[Q1] What is your industry sector?

Industry Sector	
High-Tech Manufacturing	33
Internet/Communications/Utilities	22
Financial/Professional Services	16
Software	14
General Manufacturing	10
Health Care/Bio-Tech	10
Education	7
Other	3

Table 2

[Q11] What are the top 3 cost of living challenges for families living in Silicon Valley?†

	2007	2006
Housing Costs	99%	97%
Traffic Congestion	47%	33%
Health Care	45%	39%

The health care issue has become a “fast track” cause for leaders up and down the state, as evidenced by the call to action by California Governor Arnold Schwarzenegger and others.² Clearly, Valley leaders are in synch with the health care concerns of public policy-makers throughout the state.

When viewed in terms of sector characteristics, housing screams out as the most important concern of every group, a remarkable finding given so many different industries in the Valley. On the flip side, certain industries have unique concerns. For example, 86% of the education respondents single out health care as the most important issue; similarly, health care and traffic congestion are cited by general manufacturing respondents. In addition, 50% of both the software and financial/professional sectors worry about K-12 public education.

Table 3

[Q11] What are the top 3 cost of living challenges for families living in Silicon Valley? †

	High-Tech Manf.	Internet/ Comm./ Utilities	Financial/ Professional	Software	Gen. Manf.	Health Care/ Bio-Tech	Education	Other
Housing Costs	1	1	1	1	1	1	1	1
Traffic Congestion	2	4	3	3	2	3	3	4
Health Care	4	2	3	6	2	4	2	2
K-12 Education	5	3	2	2	4	5	4	
High Taxes	3	5	5	6	7	2	4	2

Improving the Business Climate - Top 5 Business Challenges

The operating climate for Silicon Valley businesses tells much about the climate of the region overall. If Valley businesses function on a level playing field, the quality of the region’s products, engineering and services will hold its own against the goods of other regions. Still, in order to compete, the infrastructure must be up to par—in a competitive world there is little margin for error.

The CEO Business Climate Survey asked respondents to identify the 5 most important challenges to businesses in the Valley. The results from the current effort virtually mirror the previous years, particularly with the critical concern for housing, which is cited by 84% of the participants. Traffic, however, has been moving up the chain of worry rather quickly. In the current survey, 62% mention traffic congestion, up from 52% in 2006, which soared from 24% in 2005. Clearly, traffic congestion has moved into the fast lane of CEO worries. Concerns about health care have catapulted this category into the third position at 59%, up from 46% in 2005. It is important that housing and traffic congestion have ranked 1-2 for two successive years. Valley leaders hunger for relief in these issue areas.

Table 4

[Q9] What are the top 5 business challenges in Silicon Valley? †

	2007	2006	2005
High Housing Costs for Employees	84%	88%	68%
Traffic Congestion	62%	52%	24%
Health Care Costs	59%	46%	47%
Business Regulations	44%	51%	65%
Immigration: H1-B Visas and/or Green Cards	37%	25%	NA

At the same time, respondents now express less concern about business regulations. In the 2007 survey, 44% cite this category, down for the second consecutive year from 51% in 2006

and 65% in 2005. Similarly, 34% register unease about high taxes, down from 43% and 40% over the past two years. The new order of issues suggests a more favorable business climate for many Valley companies. The most important business challenges appear in Table 4.

Among those who point to business regulations, nearly two-thirds focus on Sarbanes-Oxley accounting procedures. Although these data are slightly less than the 73% mentioned in 2006, the concern remains rather strong, at 65%, as expressed in Table 5.

Table 5
[Q10] Which of the following business regulations applied?

Sarbanes-Oxley	65%
Local Government Permitting	22%
Import-Export Controls	18%
State Government Permitting	18%
Other	10%

When examined by sector, the responses to the question inquiring about the 5 most pressing challenges show housing costs emerging as the foremost concern of six of the seven sectors; financial/professional services respondents rank housing second. Traffic congestion ranks as one of the top concerns for six of the seven sectors. Health care is also cited as a major concern among six of the seven sectors. The high taxes category, mentioned in the 2006 survey as a major worry, drops to sixth in the 2007 CEO survey, except for respondents from high tech manufacturing who rank taxes as the third most pressing issue.

Table 6 displays the full set of responses.

Table 6
[Q9] What are the top 5 business challenges in Silicon Valley? †

	High-Tech Manf.	Internet/ Comm./ Utilities	Financial/ Professional	Software	Gen. Manf.	Health Care/ Bio-Tech	Education	Other
Housing Costs	1	1	2	1	1	1	1	1
Traffic Congestion	3	3	1	5	2	2	3	3
Health Care Costs	2	2	6	3	2	3	1	1
Business Regulations	3	4	3	3	6	4	4	
Immigration	6	7	5	1	9	8	4	
High Taxes	3	5	7	8	8	6	8	5
Worker Skill Level	8	6	3	9	5	4	4	
Energy Costs	7	7	9	9	4	8	4	5
Workers' Comp.Costs	10	10	9	7	6	6	8	3
Frivolous Lawsuits	8	9	7	5		8		

More than ever, Valley companies are participating in the global marketplace. One recent study shows that 36% of the area's companies sell goods and/or services abroad, nearly twice the percentage of just two years ago.³ As companies return to prosperity, their share of tax contributions to state and local government coffers have increased dramatically. Meanwhile, hiring has returned to the Valley, resulting in an unemployment rate below that of the state as a whole.

Still, pressing issues remain. A report issued by the Joint Venture: Silicon Valley Network in January 2007 listed declines in employee health insurance, high school graduation rates, and the first-time ability to purchase homes.⁴ Each of these areas is vital to the wellbeing of the Valley's economy. Equally true, each of these areas touches upon California state public policy.

Improving Government Policy - Top 5 Actions by the State

Bearing in mind the connection between state government and local economic health, the survey asked respondents to identify the top 5 actions that the state government should take to improve the business climate. The issue of affordable housing appears as the foremost concern, restating the apprehensions of the past two surveys. In the 2007 survey, traffic relief actually ties K-12 education improvements, with both categories receiving the nod from 59% of the respondents. Further down the list, the issue of broadband development receives nearly twice as many responses as in 2006.

A side note of interest: concerns about workers' compensation dropped from 30% in 2006 to 14% in 2007. This category has exhibited remarkable change over the history of the CEO survey. In 2005, 54% of the respondents cited the issue of rate reductions for workers' compensation. The Governor and the Legislature listened, changes were made, and concerns of Valley executives have abated. The data for state government action steps are arrayed in Table 7.

Table 7
[Q12] What 5 top actions could the state government take to improve the business climate in your company?†

	2007	2006
Help Create More Affordable Housing	65%	67%
Improve K-12 Education	59%	65%
Invest in Traffic Relief/Traffic Transportation Improvements	59%	45%
Continue Research and Development Tax Credit	45%	46%
Limit Frivolous Lawsuits	35%	33%

Resolution of the Workers' Compensation Issue

Once the scourge of businesses throughout the state, the workers' compensation program has undergone profound change, much to the general relief of business leaders and workers throughout the state. In 2004, the governor and legislature agreed on a massive overhaul of the state's \$22 billion workers' compensation program, with anticipated reductions of somewhere between \$2 and \$7 billion annually in future years.⁵ Changes did not take place until the start of the 2005 calendar year. When CEOs and executive managers were asked about workers' comp changes in the 2006 survey, 38% indicated declines in cost, compared with 32% who pointed to increases. Some stabilization has taken place over the past year, according to the 2007 survey. Perhaps the most interesting observation lies with the relatively few large increases over the past year, compared with 2006. Whereas 12% of all respondents mentioned increased costs of 11% or more in 2006, only 4% cite such increases in 2007. These data are shown in Table 8.

Table 8
[Q13] What has happened to your Workers' Compensation costs during the past year?

	2007	2006
Increased more than more than 25%	0%	1%
Increased between 11-25%	4%	11%
Increased 1-10%	27%	20%
Stayed the same	19%	16%
Decreased 1-10%	15%	20%
Decreased 11-25%	3%	15%
Decreased by more than 25%	3%	3%
Don't Know/No Answer	29%	15%

Job Generation During the Past Year

The economic recovery of the Valley has been led by the growth of jobs in Silicon Valley. Moreover, job growth here has occurred well beyond the general recovery of the state.⁶ According to survey respondents, more local companies added jobs during 2006 than in either 2005 or 2004, suggesting a period of sustained economic growth. Equally significant, fewer companies subtracted jobs during 2006 than during either of the other two previous years of the study. Table 9 shows that more than 60% of the companies in the survey have added jobs over the past year, compared with only 11% who have subtracted jobs.

Some of the changes are subtle, yet significant. For example, among those in the job gain category, 7% report adding 500 or more jobs over the past year, compared with 4% who answered similarly in 2006. Likewise, no company with losses reports eliminating 500 or more jobs in the past year. Tables 10 and 11 reveal both the general direction of employment changes as well as the extent of job growth and losses.

Although job growth has been strong in general, some sectors have excelled disproportionately compared to others. Chart 1 indicates the best growth areas for the past year have been in education and software, followed by the financial/professional services sector. The top three bars pointing to overall growth show the sustained improvement in the job generation area.

Of those companies that eliminated jobs, 92% of the survey respondents view the changes as permanent. This percentage equals the percentage given in 2006, although the numbers of companies with major reductions are considerably fewer than the previous year.

Reasons For Job Losses

For the past three years, the CEO survey has attempted to zero in on the reasons for job losses in the Valley. In the earlier surveys, about two-thirds of the replies were in the “other” or “don’t know” categories. This year, with new categories, the “other” and “don’t know” replies still account for 45% of the answers, suggesting some continuing confusion in this category, although not as much as in the past. As the total number of companies permanently eliminating jobs was 12, with one additional company temporarily eliminated jobs, the conclusion drawn from the data are not statistically valid (see Appendix C for all data).

There are a few hints, however. Whether shipped out of state or out of the country, about one-sixth of the survey respondents point to lower costs as the most significant reason. Supply chain issues are cited by 8% of those respondents who moved jobs to other states. Lower taxes and fees, a new category in the 2007 survey, are mentioned by 8% of those who moved jobs out of state and 9% who shifted jobs overseas. Two categories of no concern to survey respondents are regulation and lower land and/or infrastructure costs.

Table 9
[Q3] Since January 1, 2006, have you added, stayed the same, or subtracted jobs in Silicon Valley?

	2007	2006	2005
Added jobs	63%	55%	41%
Stayed the same	25%	28%	33%
Subtracted jobs	11%	13%	24%
Don't Know/no answer	0%	4%	2%

Table 10
[Q4] If added (reference to Question 3 above), how many?

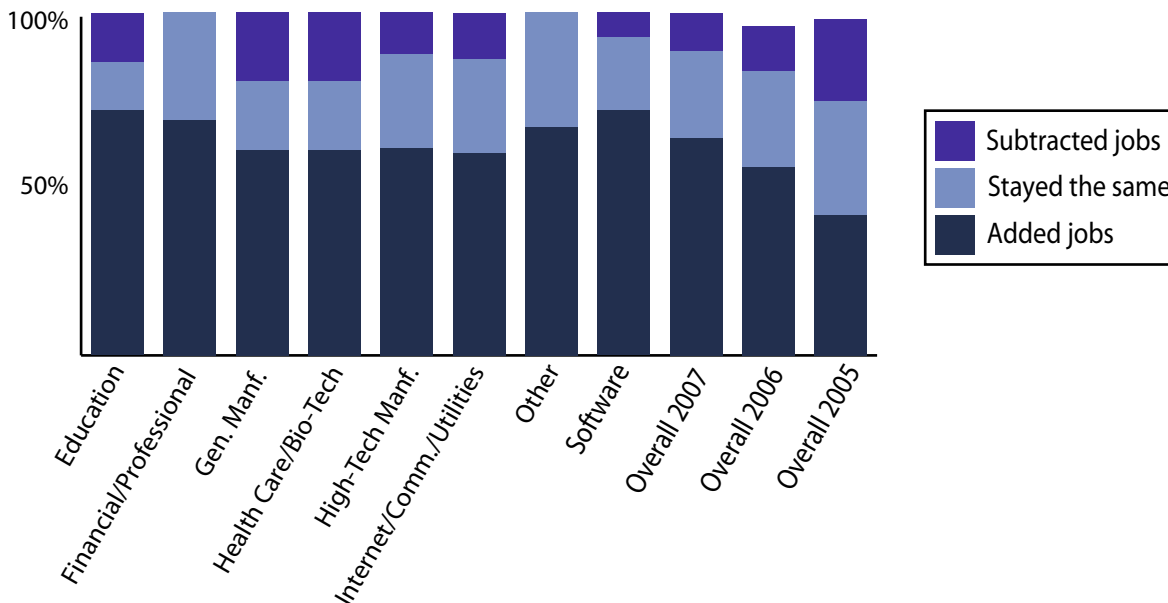
	2007	2006
Added 1-20 jobs	42%	40%
Added 21-100 jobs	31%	34%
Added 101-250 jobs	14%	19%
Added 251-500	4%	4%
Added 501-1,000	6%	4%
Added more than 1,000	1%	none
Don't Know/No Answer	3%	

Table 11
[Q4] If subtracted (reference to Question 3 above), how many?

	2007
Subtracted 1-20 jobs	31%
Subtracted 21-100 jobs	46%
Subtracted 101-250	8%
Subtracted 251-500	8%
Subtracted 501-1,000	0%
Subtracted more than 1,000	0%
Don't Know/No Answer	8%

Chart 1

[Q3] In January 1, 2006, have you added, stayed the same, or subtracted jobs in Silicon Valley?



Concerns About Healthcare

Healthcare has emerged as an issue of critical concern throughout the State of California and the nation.⁷ In Silicon Valley, companies depend upon a healthy workforce. Short lead times, specialty employment fields, and a reliable workforce combine to make employee health a cornerstone of any company’s success. At the same time, healthcare costs have skyrocketed for employees and employers alike over the past few years, causing burdens for all parties.

In January 2007, Governor Arnold Schwarzenegger proposed a comprehensive healthcare reform package that would insure the 6.5 million Californians without health insurance at a cost of \$12 billion, much of which would be paid by employers, physicians and hospitals. While this and other proposals await resolution, at least the issue is on the table.⁸

Table 12
[Q14] What percent of your total business costs are attributable to healthcare?

	2007	2006
1-5%	28%	30%
6-10%	17%	24%
11-15%	14%	8%
16-20%	6%	8%
Over 20%	7%	7%
Don't Know/No Answer	27%	22%

To the extent that healthcare costs are excessive, such commitments threaten the profitability of a company and its ability to maintain a workforce on competitive terms. It is with this conundrum in mind that the CEO survey asked members once again about the relationship between health care costs and overall business overhead. For 27% of the participating companies, healthcare accounts for 11% or more of overall business costs. A total of 23% of all respondents mentioned that healthcare amounted to 11% of their overall business costs in the 2006 survey one year ago. The answers are arrayed in Table 12.

Table 13
Q15. Specifically, what top 3 actions could state and/or local governments take in the healthcare arena?†

Provide tax incentives for employee-paid benefits	63%
Enable pooled health insurance purchasing by companies	57%
Recognize employer wellness programs with insurance rate reductions	55%

Most observers believe that solving the healthcare crisis will require the assistance of government in cooperation with the private sector. To that end, the 2007 CEO survey asked participating members to identify the 3 most important action steps for state and local

governments on the healthcare issue. As with the past, nearly two-thirds of the respondents believe that government should provide tax incentives for employer-paid benefits. More than half also support pooled health insurance purchases by companies and wellness programs that would lead to insurance rate reductions. The results to this question appear in Table 13.

Projected Job Growth

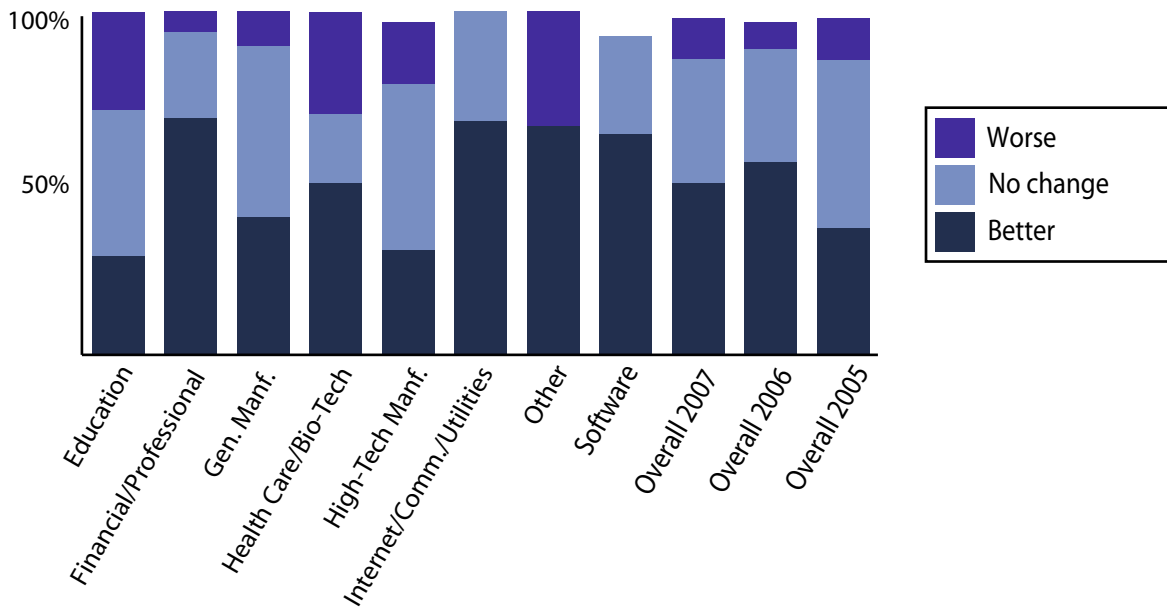
Job growth is a key component for evaluating the economic health of a region. In 2006, Silicon Valley enjoyed its best job growth since 2000.⁹ Much of this success could have been forecast in January 2006, when Leadership Group executives predicted growth in their companies by a 7-to-1 margin over expected declines. CEO Survey respondents continue to be upbeat for the coming year, although not quite as bullish as in the previous survey. Of course, any gains on top of the previous year might be considered exceptional, given the leap from 2005 to 2006. When asked about job growth in their companies for the current year, half of all respondents see additional employment, versus 12% who expect declines. These data are arrayed in Table 14 along with results from the previous two CEO surveys.

Table 14
[Q17] How do you see job growth in Silicon Valley for your company in 2007?

	2007	2006	2005
Better	50%	56%	37%
No Change	36%	33%	49%
Worse	12%	8%	12%
Other/Don't Know	2%	3%	2%

Chart 2

[Q17] How do you see job growth in Silicon Valley for your company in 2007?



An examination of projected job growth by sector shows a variety of expectations. The financial/professional services and internet/communications/utilities sectors represent the areas of the most expected job growth, followed closely by the software group. All of these were active in the previous year. Education appears to be the most uncertain area for 2007, with respondents equally divided on job growth and job losses. Chart 2 breaks down anticipated job growth in 2007 by sector.

Table 15

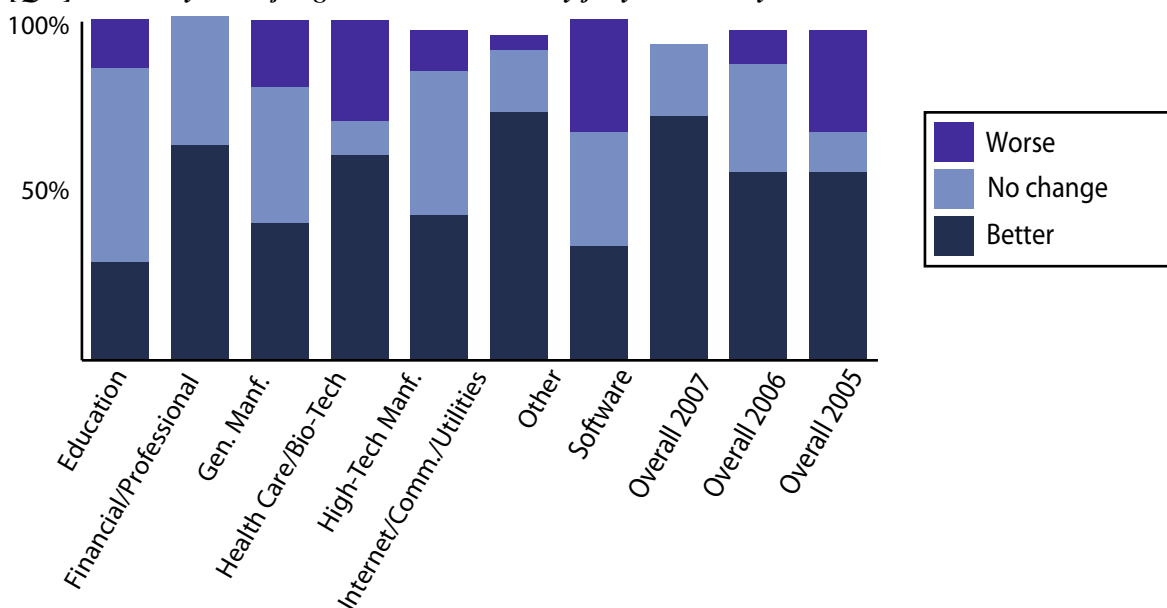
[Q16] How do you see job growth in Silicon Valley for your industry sector in 2007?

	2007	2006
Better	55%	55%
No Change	32%	12%
Worse	10%	30%
Other/Don't Know	3%	3%

In addition, we ask CEOs about their attitudes toward their industry sector, and the results are similarly optimistic. The number of respondents who believe their sector will see job growth remains the same, while those

Chart 3

[Q16] How do you see job growth in Silicon Valley for your industry sector in 2007?



believing their sector will remain stable increased dramatically. Only 10% of CEOs believe the employment outlook is worse for their sector in Silicon Valley in 2007.

The State’s Direction

Members of the Leadership Group interact with the state’s political leaders in several ways. As members of the community, companies pay corporate income taxes, contributing greatly to the state treasury. In addition, members communicate directly and indirectly with state leaders. At least once each year, the Leadership Group descends upon Sacramento to discuss issues with legislators. The organization has also met with the Governor on many occasions. On other fronts, several members belong to key task groups and state advisory boards. Recently, CEO Carl Guardino was appointed by Governor Schwarzenegger to the California Transportation Commission. Combined, all of these mechanisms keep Leadership Group members in touch with public policy-makers.

Table 16
[Q18] Generally speaking, would you say that statewide legislation is on the right track or wrong track in creating a healthy business climate?

Right	1	2	3	4	5	Wrong
2007	3%	29%	39%	23%	3%	
2006	0%	5%	37%	41%	17%	
2005	8%	18%	27%	35%	12%	

Given such interaction, the question emerges, how responsive are state leaders to the visions expressed by local business leaders? The first part of the answer begins with analysis of statewide legislation. (Note legislation means policy hammered out by the legislature and governor, and should not be confused with the actions of the legislature, which formulates state policies in conjunction with the Governor.) In the 2007 survey, respondents are considerably more pleased with statewide legislation than in 2006. When combining replies 1 and 2, 32% respond that legislation is on the “right” track, compared with 26% answering replies 4 and 5, who believe legislation is on the wrong track. Just one year ago, the aggregated replies were 5% and 58% respectively. These data are shown in Table 16.

A sector-by-sector analysis shows that education respondents are the most pleased with recent statewide legislation. At the other end, financial/professional services and internet/communications/ utilities respondents are the most skeptical. Nevertheless, overall, the data suggests that the state’s leaders have been more responsive in the past year than in previous years. Chart 4 shows the differences by sector.

Chart 4

[Q18] Generally speaking, would you say that statewide legislation is on the right track or wrong track in creating a healthy business climate?

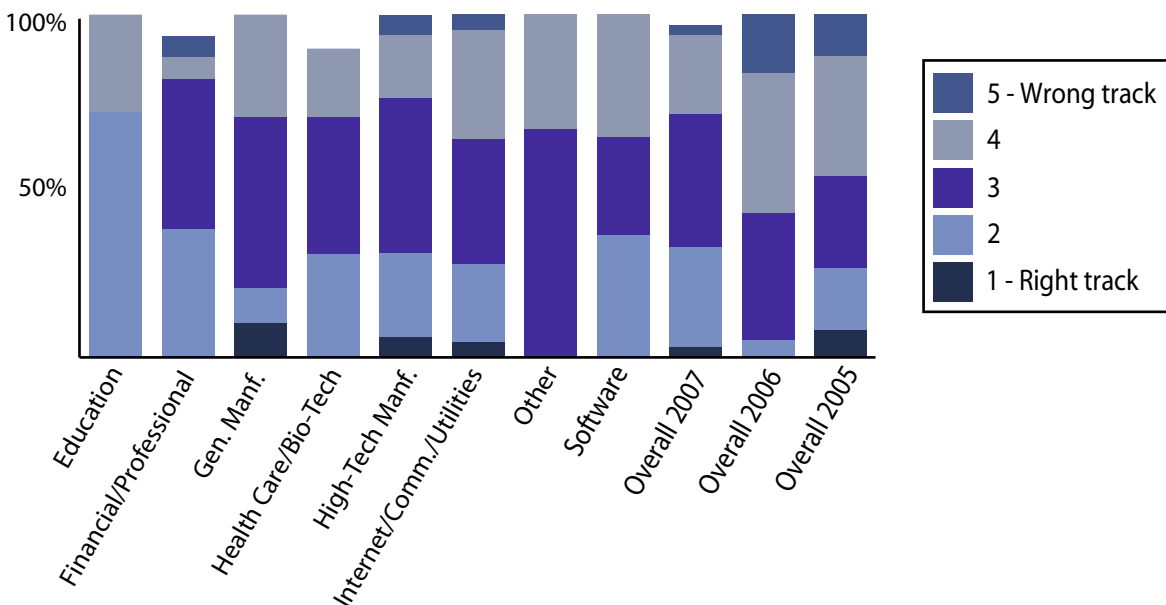
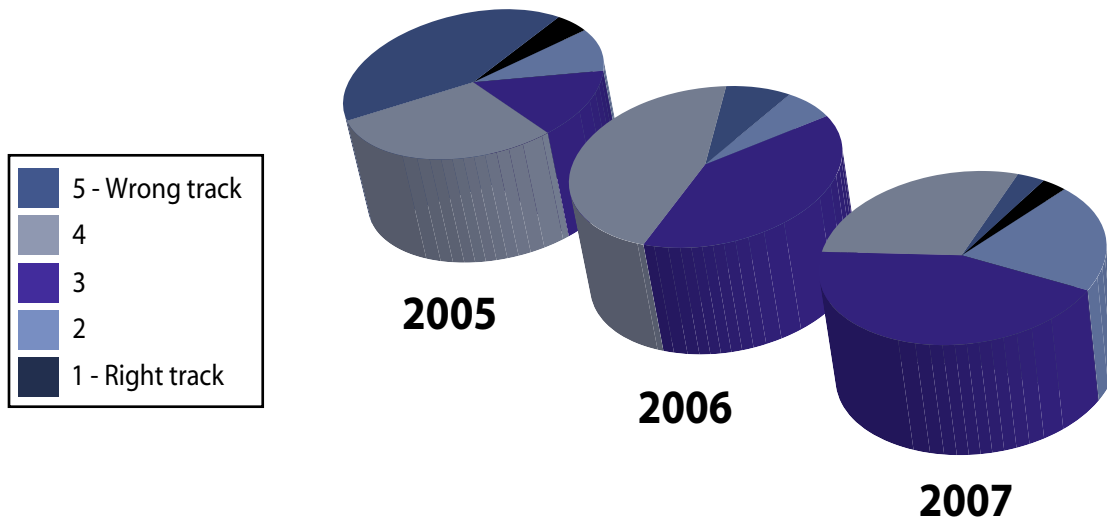


Chart 5

[Q19] Generally speaking, would you say that statewide regulations are on the right track or wrong track in creating a healthy business climate?



Many of California’s most important public policies are the creations of regulators, who receive authority from either the legislature or governor to act on compelling issues. Although these individuals are often removed from the public eye, their activities affect everyone, including Valley companies. With this in mind, the survey asked about the comfort level that respondents have with state regulations with respect to promoting a healthy business climate. The level of satisfaction is not high, although respondents are more satisfied in the current survey than previous survey. When combining answers 1 and 2, 23% say that state regulations are on the “right” track; when combining answers 4 and 5, 31% reply that state regulations are on the “wrong” track. In 2006, the same categories generated responses of 7% and 53%. Table 17 shows the responses for 2007 as well as those for 2005 and 2006. Chart 5 shows dramatic changes in attitudes over the three year period.

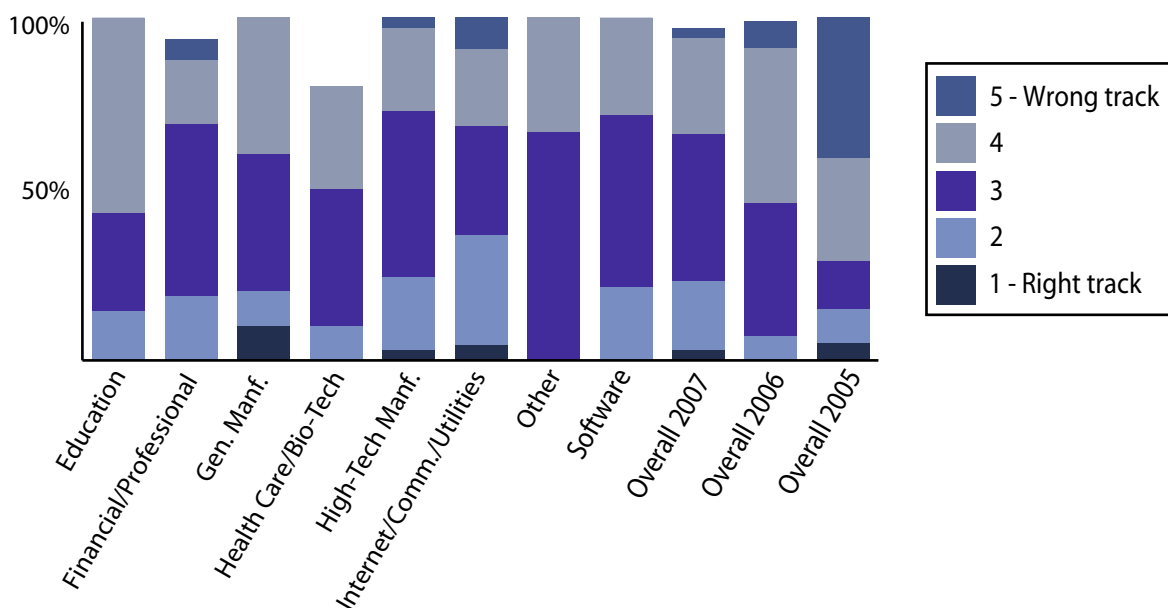
Table 17

[Q19] Generally speaking, would you say that statewide regulations are on the right track or wrong track in creating a healthy business climate?

Right	1	2	3	4	5	Wrong
2007	3%	20%	43%	28%	3%	
2006	0%	7%	39%	45%	8%	
2005	5%	10%	14%	30%	41%	

Chart 6

[Q19] Generally speaking, would you say that statewide regulations are on the right track or wrong track in creating a healthy business climate?



Sector-by-sector comparisons once again show differences not readily apparent in the aggregated replies. Internet/communications/utilities respondents, for example, are most satisfied with statewide regulations. At the other end of the spectrum, education are the most displeased, and much more so than in 2006. The sector-by-sector responses are revealed in Chart 6.

With which set of leaders does the Leadership Group find more comfort, the executive branch or legislative branch?

The survey now has some tentative answers to that question. As in the past, respondents were asked to evaluate the Governor's ability to create a healthy business climate. In the 2007 survey, 58% place the Governor in category 1 or 2 in the 5-point scale, only 11% score the Governor with a 4 or 5. The answers are slightly more favorable for the Governor in 2007 than with replies one year ago. These data appear on Table 18.

Table 18
[Q20] Generally speaking, would you say that the Governor is on the right track or wrong track in creating a healthy business climate?

Right	1	2	3	4	5	Wrong
2007	10%	48%	29%	9%	2%	
2006	7%	44%	37%	8%	3%	

Table 19
[Q21] Generally speaking, would you say that the State Legislature is on the right track or wrong track in creating a healthy business climate?

Right	1	2	3	4	5	Wrong
2007	2%	20%	45%	26%	5%	

When viewed by sector, the health care/bio-technology group is most pleased with the Governor's efforts, followed by high-tech manufacturing. The software and education sector show mild disappointment, although the percentages are relatively small. The sectors are displayed in Chart 7.

The survey also asked respondents to rank the legislature and its ability to create a healthy business climate. On this question, the answers are more tentative. Twenty-two percent score the legislature favorably (replies 1 and 2), compared with 31% who do not (replies 4 and 5). As seen in Table 19, nearly half of the respondents have neutral opinions about the legislature.

The State Legislature receives dramatically different evaluations when the data are examined on a sector-by-sector basis. For example, only 6% of the financial/professional services sector have favorable assessments; the highest praise comes from education, with 43% of the respondents providing praise. Clearly, this question attracts the most diverse answers of the evaluation questions. The data can be seen in full in Chart 8.

Chart 7

[Q21] Generally speaking, would you say that the Governor is on the right track or wrong track in creating a healthy business climate?

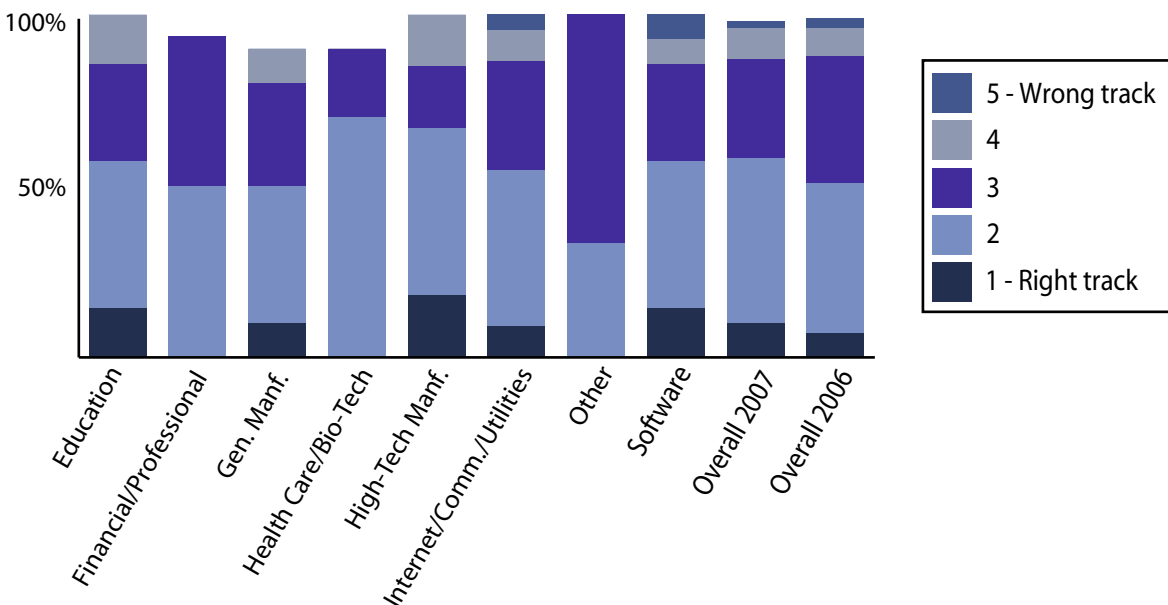
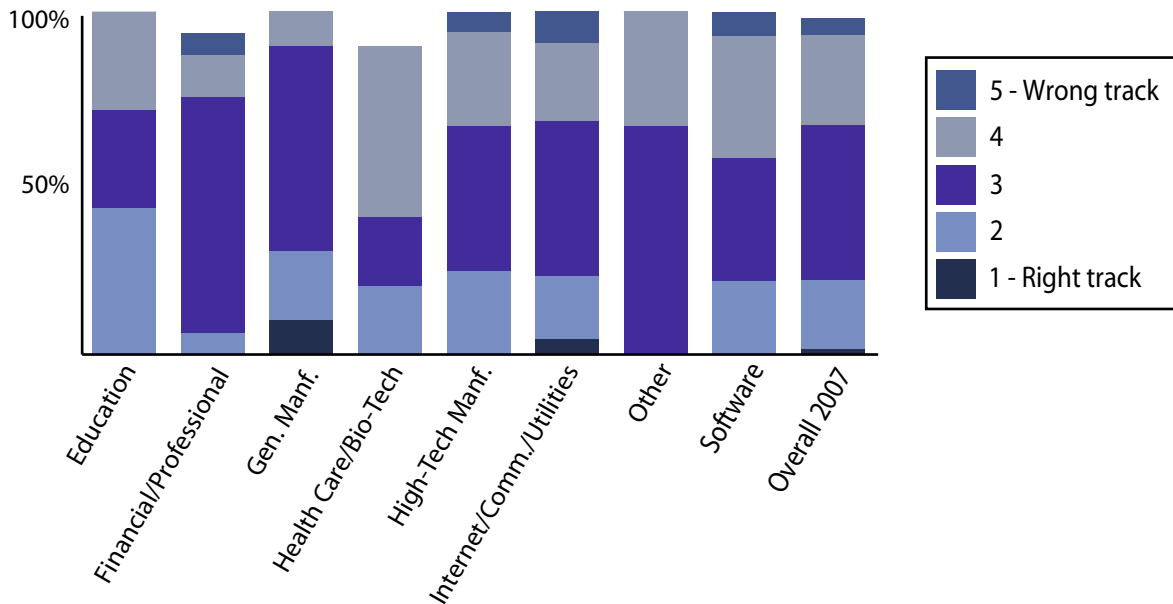


Chart 8

[Q21] Generally speaking, would you say that the State Legislature is on the right track or wrong track in creating a healthy business climate?



Conclusions and Recommendations

Information assessment tools such as the Silicon Valley Leadership Group CEO Business Climate Survey invariably collect data, much of which may flow in different directions. That is certainly the case with the data collected from the respondents of this survey. Still, there are some themes that resonate throughout the analysis. As a general rule, members feel good about the economy and the wellbeing of their enterprises. This positive attitude has been building for the past two years, leaving some to believe that the region is on more solid footing than in several years.

Members are also united about concerns that remain as problematic today as any time in the survey's history. Housing continues to be a major issue, the lack of which threatens the regional ability to attract a reliable workforce. The infrastructure remains in disrepair, particularly with respect to traffic congestion—an issue that has drawn increased interest. On a related note, many CEOs and other executives in the Valley point to healthcare as an emerging issue that begs for resolution in a way that at least spreads the cost in an equitable manner.

Some sectors are not as satisfied as others with political conditions or the state of the economy in particular. To the extent that the concerns of these sectors remain unaddressed, the Leadership Group membership may wish to prod public policymakers for action.

With respect to the political environment, there seems to be a mood of growing satisfaction with the Governor. Judging from the responses to questions about institutions and their leaders, it appears that members feel greater responsiveness from the Governor than either the State Legislature or state regulators. Some of this attitude is only logical, given that it is much easier to capture the attention of a single policy maker such as the Governor than a majority of legislators in two houses. Much of this positive attitude is the result of numerous policy partnerships with the Governor on issues such as Workers Comp Reform, the Global Warming Solutions Act, the Infrastructure Bonds, education, and health care reform. Still, it would seem that the Leadership Group needs to work even harder at developing alliances with legislators.

The coming years will prove challenging to businesses as the state attempts to grapple with infrastructure needs and the revenues to ameliorate them. Organizations such as the Silicon Valley Leadership Group stand a better chance to be heard than other interests simply because of this group's ongoing commitment to solving problems instead of merely identifying problems. In the long run, this kind of approach offers a constructive opportunity to paving the way for strong businesses and a vibrant workforce, both of which are critical cornerstones of what has become one of the healthiest local economies in the state.

¹ In order to assure sufficient numbers of participants in each category, the 12 sectors were merged as follows: high-tech manufacturing (R&D, computer/component manufacturing, semiconductor/microprocessor); Internet/communications/utilities (utilities/energy, transportation); financial/professional services (accounting, venture capital) software; general manufacturing (aerospace/defense, auto manufacturing, food and beverage manufacturing, waste management and recycling); health care/bio tech (medical instrumentation, hospitals); education (universities/community colleges), and other.

² "Schwarzenegger Calls for Health Care to be Universal," The New York Times, January 9, 2007, pp. A1, A13.

³ "Execs bullish on local economy," San Jose Mercury News, December 6, 2008, pp. 1D, 5D.

⁴ "Silicon Valley booming again after 5-year slump," San Francisco Chronicle, January 28, 2007, pp. F1, F3, and "The Valley Emerges, Median Income Growth, 33,000 Jobs Cited," San Jose Mercury News, January 28, 2007, pp. 1E, 2E.

⁵ "Stage set for workers' comp reform," San Jose Mercury News, April 14, 2004, pp. 1A and 15A, and "Finally, progress on workers' comp," San Francisco Chronicle, April 16, 2005, p. B4.

⁶ "Valley hiring gains steam," San Jose Mercury News, November 23, 2006, p. 1A, 4A.

⁷ "Health-Insurance Gap Surges as Political Issue," The Wall Street Journal, January 19, 2007, pp. A1, A12.

⁸ "Schwarzenegger Calls for Care To Be Universal," The New York Times, January 9, 2007, pp. A1, A13.

⁹ "Valley job recovery is 'real,'" San Jose Mercury News, January 10, 2007, pp. 1C, 4C.

† The complete data for all questions are found in Appendix C.

Appendix A: Participants

Adaptec	Intel
Adobe	Interwoven
Agilent	Kaiser
Akeena Solar	Kellogg's
American Airlines	KPMG
Apple	Lam Research
Applied Materials	Lifescan
APS Energy Services	Lockheed Martin Integrated Systems & Solutions
Asyst, Inc.	Lockheed Martin Space Systems
AT&T	Los Gatos Community Hospital
BAE Systems	Lucile Packard Children's Hospital
Bank of America	M3iworks
Bloom Energy	Macrovision
Borel Private Bank & Trust	Miasole
Boulevards New Media	NetLogic Microsystems
Brocade	Network Appliance
Cadence Design Systems	Nortel
California Micro Devices	Northrop Grumman Marine Systems
Calpine	Novellus
Camino Medical Group	NUMMI
Casatt Corporation	oDesk
Celerity	Optimal Corporation
Citibank	Outreach
Coherent	Palm
Comcast	PG&E
Comerica	Planktos Inc.
Construction Navigator	Qualcomm
Con-way	Quicksil
deCarta	REgrid Power
Declaration Services	Renesas
Deloitte & Touche	Rockwell Collins
DeVry University	Romic Environmental Technologies
Earth Tech	San Jose State University
eBay	San Jose Water Company
Echelon	Santa Clara University
EMC Corporation	Seagate
eMeter	SETI Institute
EnergyICT, Inc.	Sollectron
Ernst & Young	SpikeSource, Inc.
ETM-Electromatic	Stratex
Ezboard	SVB Financial Group
Foothill-DeAnza Community College District	Synaptics
Fusionize	Synopsys
Garland Actuarial	Tagent
Genentech	Targus Financial Solutions
Gilead Sciences	Trimble Navigation
Global Energy Martkets	Union Bank of California
Golden Gate University	University of California, Santa Cruz
Goodwill Industries of Silicon Valley	Varian Medical Systems
Greater Bay Bank	Verari Systems
Heritage Bank of Commerce	Verizon
Hewlett-Packard	Waste Management
Hitachi	Wells Fargo
Hyperion	West Valley Staffing Group
IFS	anonymous surveys (4)

Appendix B: Survey

1. Industry Sector

- a) Bio-Tech
- b) High-Tech/Manufacturing
- c) Internet/Communications
- d) General Manufacturing
- e) Education
- f) Health Care
- g) Utilities/Energy
- h) Software
- i) Media/news services
- j) Transportation
- k) Aerospace/Defense
- l) Accounting/Financial/Professional/Venture Capital
- m) Other/Don't Know/No Answer

2. Number of employees in Silicon Valley:

- a) 1-20
- b) 21-100
- c) 101-500
- d) 501-1,000
- e) 1,001-5,000
- f) 5,001-10,000
- g) 10,001 or higher
- h) Don't Know/No Answer

3. Since January 1, 2006, have you added, stayed the same, or subtracted jobs in Silicon Valley?

- a) Added Jobs
- b) Stayed the Same
- c) Subtracted Jobs
- d) Don't Know/No Answer

4. If added, how many?

- a) 1-20
- b) 21-100
- c) 101-250
- d) 251-500
- e) 501-1,000
- f) more than 1,000
- g) subtracted or stayed the same
- h) Don't Know/No Answer

5. If subtracted, how many?

- a) 1-20
- b) 21-100
- c) 101-250
- d) 251-500
- e) 501-1,000
- f) more than 1,000

- g) added or stayed the same
- h) Don't Know/No Answer

6. If subtracted, were most of the jobs:

- a) Permanently eliminated
- b) Temporarily eliminated
- c) Added or stayed the same
- d) Don't Know/No Answer

7. If your company moved jobs out of state, what was the MOST important reason?

- a) Lower Land/Lower Infrastructure Costs
- b) Reduced Labor Costs
- c) More Available Workforce
- d) Less Regulation
- e) Proximity to Customers
- f) Government Incentives in New Location
- g) More Convenient Supply Chain
- h) Lower Taxes and/or Fees
- i) Jobs were not moved out of state
- j) Other:
- k) Don't Know/No Answer

8. If your company moved jobs out of the U.S., what was the MOST important reason?

- a) Lower Land/Lower Infrastructure Costs
- b) Reduced Labor Costs
- c) More Available Workforce
- d) Less Regulation
- e) Proximity to Customers
- f) Government Incentives in New Location
- g) More Convenient Supply chain
- h) Lower Taxes and/or Fees
- i) Jobs were not moved out of the country
- j) Other:
- k) Don't Know/No Answer

9. What are the Top 5 Business challenges in Silicon Valley?

- a) Business Personal Property Taxes
- b) Business Regulations
- c) State Budget Structure
- d) Energy Costs
- e) Paid Family Leave
- f) Frivolous Lawsuits
- g) Health Care Costs
- h) Immigration: H1-B Visas and/or Green Cards
- i) Overtime/8-hour work day requirement
- j) Unemployment Insurance Costs
- k) Workers' Compensation Costs
- l) Worker Skill Level/Appropriate Workforce
- m) Intellectual Property Protection Costs
- n) Air Transportation/Cargo
- o) High Housing Costs for Employees
- p) High Taxes and/or Fees
- q) Traffic Congestion
- r) Water
- s) Other/Don't Know/No Answer

10. If you answered "b" (Business Regulations), which of the following challenges applied:

- a) Sarbanes-Oxley
- b) Import-Export Controls
- c) Local Government Permitting
- d) State Government Permitting
- e) Did not answer "b"
- f) Other:
- g) Don't Know/No Answer

11. What are the Top 3 Cost of Living challenges in Silicon Valley for your employees?

- a) Housing costs
- b) Traffic Congestion
- c) K-12 Education
- d) Higher Education
- f) Energy Costs
- g) Child Care
- h) High Taxes
- i) Other/Don't Know/No Answer:

e) Health Care

12. Specifically, what Top 5 actions could the state government take to improve the business climate for your company?

- a) Reduce Unemployment Insurance Cost Increase
- b) Avoid Split Roll Tax
- c) Offer Full Sales Tax Exemption for Purchases of Manufacturing Equipment
- d) Lower Energy Costs
- e) Reinstate Overtime after a 40-hour work-week rather than an 8-hour work day
- f) Repeal Paid Family Leave Benefits
- g) Help Create More Affordable Housing
- h) Roll back WARN Act Costs to National Average
- i) Streamline Regulatory and Permit Approvals
- j) More Rate Reductions for Workers' Compensation
- k) Limit Frivolous Lawsuits
- l) Continue Research and Development Tax Credit
- m) Lower California's Minimum Wage to the National Minimum Wage
- n) Improve K-12 Education
- o) Improve Higher Education
- p) Invest in Broadband Deployment
- q) Invest in Traffic Relief/Traffic Transportation Improvements
- r) Adopt Single Sales Apportionment Factor/Eliminate Double Corporate Income Taxation
- s) Other/ Don't Know/No Answer:

13. What has happened to your Workers' Compensation costs during the past year?

- a) Stayed the same
- b) Increased between 0-10%
- c) Increased by 11-25%
- d) Increased more than 25%
- e) Decreased between 0-10%
- f) Decreased by 11-25%
- g) Decreased more than 25%
- h) Other/Don't Know/No Answer

14. What percent of your total business costs are attributable to healthcare?

- a) 1-5%
- b) 6-10%
- c) 11-15%
- d) 16-20%
- e) over 20%
- f) Don't Know/No Answer

15. Specifically, what Top 3 actions could state and/or local governments take in the healthcare arena?

- a) Offer low-cost health insurance for all children
- b) Offer low-cost health insurance for uninsured individuals
- c) Enable pooled health insurance purchasing by companies
- d) Recognize employer wellness programs with insurance rate reductions
- e) Provide tax incentives for employee-paid benefits
- f) Mandate health insurance coverage for individuals
- g) Other – please specify:

16. How do you see job growth in Silicon Valley in your industry sector in 2007?

- a) Better
- b) Worse
- c) No Change
- d) Other/Don't Know/No Answer

17. How do you see job growth in Silicon Valley for your company in 2007?

- a) Better
- b) Worse
- c) No Change
- d) Other/Don't Know/No Answer

18. Generally speaking, would you say that statewide legislation is on the right track or the wrong track in creating a healthy business climate?

(right) 1 2 3 4 5 (wrong)

Indicate specific examples here:

19. Generally speaking, would you say that statewide regulations are on the right track or wrong track in creating a healthy business climate?

(right) 1 2 3 4 5 (wrong)

Indicate specific examples here:

20. Generally speaking, would you say that the Governor is on the right track or the wrong track in creating a healthy business climate?

(right) 1 2 3 4 5 (wrong)

Indicate specific examples here:

21. Generally speaking, would you say that the State Legislature is on the right track or the wrong track in creating a healthy business climate?

(right) 1 2 3 4 5 (wrong)

Indicate specific examples here:

22. Please share any anecdotes about Silicon Valley's business climate. Include, if possible, magnitude of impact of various policies. (Brief statement)**23. What are the benefits/strengths of doing business in Silicon Valley?****24. Would you consider designating a representative on your team to serve on the Leadership Group's Economic Vitality Committee?**

Yes _____ No _____

If yes, please identify who the appropriate contact should be:

Appendix C: Survey Results

1. Industry Sector

	2007
High-Tech Manufacturing	33
Internet/Communications/Utilities	22
Financial/Professional Services	16
Software	14
General Manufacturing	10
Health Care/Bio-Tech	10
Education	7
Other/Don't Know	3
Total	115

2. Number of employees in Silicon Valley:

	2007
1-20 Employees	11%
21-100 Employees	17%
101-500 Employees	22%
501-1,000 Employees	17%
1,001-5,000 Employees	23%
5,001-10,000 Employees	5%
10,001 or Higher	3%

3. Since January 1, 2006, have you added, stayed the same, or subtracted jobs in Silicon Valley?

	2007	2006	2005
Added jobs	63%	55%	41%
Stayed the same	25%	28%	33%
Subtracted jobs	11%	13%	24%
Don't Know/no answer	0%	4%	2%
Total	100%	100%	100%

4. If added, how many?

	2007
Added 1-20 jobs	42%
Added 21-100 jobs	31%
Added 101-250 jobs	14%
Added 251-500	4%
Added 501-1,000	6%
Added more than 1,000	1%
Don't Know/No Answer	3%
Total (≠100%, rounding)	101%

5. If subtracted, how many?

	2007
Subtracted 1-20 jobs	31%
Subtracted 21-100 jobs	46%
Subtracted 101-250	8%
Subtracted 251-500	8%
Subtracted 501-1,000	0%
Subtracted more than 1,000	0%
Don't Know/No Answer	8%
Total (≠100%, rounding)	101%

6. If subtracted, were most of the jobs:

	2007	2006	2005
Permanently Eliminated	92%	92%	74%
Temporarily Eliminated	8%	8%	26%
Total	100%	100%	100%

7. If your company moved jobs out of state, what was the MOST important reason?

	2007
Reduced labor costs	17%
More available workforce	
Proximity to customers	
Government incentives in new location	
More convenient supply chain	8%
Lower taxes and/or fees	8%
Less regulation	
Lower land/infrastructure costs	
Jobs were not moved out of state	33%
Other	8%
Don't know/no answer	25%
Total	99%

8. If your company moved jobs out of the U.S., what was the MOST important reason?

	2007
Reduced labor costs	18%
More available workforce	
Proximity to customers	9%
Government incentives in new location	
More convenient supply chain	
Lower taxes and/or fees	9%
Less regulation	
Lower land/infrastructure costs	
Jobs were no moved out of the U.S.	18%
Other	9%
Don't know/no answer	36%
Total	99%

9. What are the Top 5 Business challenges in Silicon Valley?

	2007	2006	2005
High Housing Costs for Employees	84%	88%	68%
Traffic Congestion	62%	52%	24%
Health Care Costs	59%	46%	47%
Business Regulations	44%	51%	65%
Immigration: H1-B Visas and/or Green Cards	37%	25%	NA
High Taxes	34%	43%	40%
Worker Skill Level/Appropriate Workforce	32%	37%	NA
Energy Costs	27%	22%	24%
Workers' Compensation Costs	23%	41%	53%
Frivolous Lawsuits	21%	20%	37%
Intellectual Property Protection Costs	14%	7%	4%
Overtime/8-hour work day requirement	10%	7%	23%
Business Personal Property Taxes	8%	11%	5%
State Budget Structure	7%	15%	18%
Unemployment Insurance Costs	4%	7%	9%
Water	3%		
Family Paid Leave	2%	2%	5%
Air Transportation Cargo	2%	2%	4%
Other/Don't Know/No Answer	2%	23%	4%

9. What are the Top 5 Business challenges in Silicon Valley? (by sector)

	High-Tech	Internet/ Com/ Utilities	Financial/ Prof.	Software	Gen. Manf.	Health Care/ Bio-Tech	Edu.	Other/ Don't Know
High Housing Costs for Employees	1	1	2	1	1	1	1	1
Traffic Congestion	3	3	1	5	2	2	3	3
Health Care Costs	2	2	6	3	2	3	1	1
Business Regulations	3	4	3	3	6	4	4	
Immigration: H1-B Visas and/or Green Cards	6	7	5	1	9	8	4	
High Taxes	3	5	7	8	8	6	8	5
Worker Skill Level/Appropriate Workforce	8	6	3	9	5	4	4	
Energy Costs	7	7	9	9	4	8	4	5
Workers' Compensation Costs	10	10	9	7	6	6	8	3
Frivolous Lawsuits	8	9	7	5		8		

10. If you answered "b" (Business Regulations), which of the following challenges applied:

	2007
Sarbanes-Oxley	65%
Local Government Permitting	22%
Import-Export Controls	18%
State Government Permitting	18%
Other	10%

11. What are the Top 3 Cost of Living challenges in Silicon Valley for your employees?

	2007	2006
Housing Costs	99%	97%
Traffic Congestion	47%	33%
Health Care	45%	39%
K-12 Education	35%	46%
High Taxes	35%	35%
Energy Costs	15%	11%
Child Care Costs	13%	31%
Higher Education	9%	4%
Other/Don't Know	1%	3%

11. What are the Top 3 Cost of Living challenges in Silicon Valley for your employees? (by sector)

	High-Tech	Internet/ Com/ Utilities	Financial/ Prof.	Software	Gen. Manf.	Health Care/ Bio-Tech	Edu.	Other/ Don't Know
Housing Costs	1	1	1	1	1	1	1	1
Traffic Congestion	2	4	3	3	2	3	3	4
Health Care	4	2	3	6	2	4	2	2
K-12 Education	5	3	2	2	4	5	4	
High Taxes	3	5	5	6	7	2	4	2
Energy Costs	6	7	6	8	5	7	4	4
Child Care Costs	7	8	7	4	5	5	4	
Higher Education	8	6		4			4	
Other/Don't Know		9						

12. Specifically, what Top 5 actions could the state government take to improve the business climate for your company?

	2007	2006	2005
Help Create More Affordable Housing	65%	67%	55%
Improve K-12 Education	59%	65%	37%
Invest in Traffic Relief/Traffic Transportation Improvements	59%	45%	43%
Continue Research and Development Tax Credit	45%	46%	43%
Limit Frivolous Lawsuits	35%	33%	40%
Streamline Regulatory and Permit Approvals	31%	25%	35%
Reinstate Overtime After 40 hour work-week rather than an 8-hour work day	25%		
Lower Energy Costs	23%	16%	20%
Invest in Broadband Development	20%	11%	18%
Improve Higher Education	18%	27%	37%
Adopt Single Sales Apportionment Factor/Eliminate Double Corp. Taxation	17%	17%	No data
Offer Full Sales Tax Exemption for Purchase of Manufacturing Equipment	16%	20%	30%
More Rate Reduction for Workers' Compensation	14%	30%	54%
Reduce Unemployment Insurance Cost Increase	14%	16%	19%
Avoid Split Roll Tax	7%	8%	41%
Other/Don't Know/No Answer	7%	2%	4%
Repeal Paid Family Leave Benefits	3%	11%	5%

13. What has happened to your Workers' Compensation costs during the past year?

	2007	2006
Increased more than 25%	0%	1%
Increased between 11-25%	4%	11%
Increased 1-10%	27%	20%
Stayed the same	19%	16%
Decreased 1-10%	15%	20%
Decreased 11-25%	3%	15%
Decreased by more than 25%	3%	3%
Don't Know/No Answer	29%	15%
Total (≠100%, rounding)	100%	101%*

14. What percent of your total business costs are attributable to healthcare?

	2007	2006
1-5%	28%	30%
6-10%	17%	24%
11-15%	14%	8%
16-20%	6%	8%
Over 20%	7%	7%
Don't Know/No Answer	27%	22%
Total (≠100%, rounding)	99%	99%

15. Specifically, what Top 3 actions could state and/or local governments take in the healthcare arena?

	2007
Provide tax incentives for employee-paid benefits	63%
Enable pooled health insurance purchasing by companies	57%
Recognize employer wellness programs with insurance rate reductions	55%
Offer low-cost health insurance for all children	34%
Offer low-cost health insurance for uninsured individuals	29%
Mandate health insurance coverage for individuals	11%

16. How do you see job growth in Silicon Valley in your industry sector in 2007?

	All	High-Tech	Internet/ Com/ Utilities	Financial/ Prof.	Software	Gen. Manf.	Health Care/ Bio-Tech	Edu.	Other/ Don't Know
Better	55%	42%	73%	63%	71%	40%	60%	29%	33%
No Change	32%	42%	18%	38%	21%	40%	10%	57%	33%
Worse	10%	12%	5%			20%	30%	14%	33%
Other/Don't Know	3%	3%	5%		7%				
TOTAL	100%	100%	100%	101%	100%	100%	100%	100%	100%

17. How do you see job growth in Silicon Valley for your company in 2007?

	All	High-Tech	Internet/ Com/ Utilities	Financial/ Prof.	Software	Gen. Manf.	Health Care/ Bio-Tech	Edu.	Other/ Don't Know
Better	50%	30%	68%	69%	64%	40%	50%	29%	67%
No Change	36%	48%	32%	25%	29%	50%	20%	43%	
Worse	12%	18%		6%		10%	30%	29%	33%
Other/Don't Know	2%	3%			7%				
TOTAL	100%	100%	100%	100%	100%	100%	100%	100%	100%

18. Generally speaking, would you say that statewide legislation is on the right track or the wrong track in creating a healthy business climate?

Right	1	2	3	4	5	Wrong
2007		3%	29%	39%	23%	3%
2006		0%	5%	37%	41%	17%
2005		8%	18%	27%	35%	12%

19. Generally speaking, would you say that statewide regulations are on the right track or wrong track in creating a healthy business climate?

Right	1	2	3	4	5	Wrong
2007		3%	20%	43%	28%	3%
2006		0%	7%	39%	45%	8%
2005		5%	10%	14%	30%	41%

20. Generally speaking, would you say that the Governor is on the right track or the wrong track in creating a healthy business climate?

Right	1	2	3	4	5	Wrong
2007		10%	48%	29%	9%	2%
2006		7%	44%	37%	8%	3%

21. Generally speaking, would you say that the State Legislature is on the right track or the wrong track in creating a healthy business climate?

Right	1	2	3	4	5	Wrong
2007		2%	20%	45%	26%	5%



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