



SILICON VALLEY
LEADERSHIP GROUP



SILICON VALLEY
CEO
SURVEY
BUSINESS CLIMATE 2016



Bank of America

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SILICON VALLEY
CEO
SURVEY
BUSINESS CLIMATE 2016



*The 2016 CEO Business Climate Survey is produced
by the Silicon Valley Leadership Group.*

Overview



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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.



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.

About the Survey

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.

Which of the following most closely describes your industry sector?



29

16%

Software



25

14%

High-Tech Manufacturing/
Semiconductor



24

14%

Internet/Communications



23

13%

Financial/Professional/
Venture Capital



22

12%

Energy/Clean
Tech/Utilities



13

7%

Gen. Manufacturing/
Aerospace/Defense



8

5%

Bio-tech/Med-tech/Pharma



7

4%

Education/University



7

4%

Health & Hospital System



4

2%

Transportation



3

2%

Social Media



12

7%

Other



Key Findings

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 2015

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

Quality of LIFE



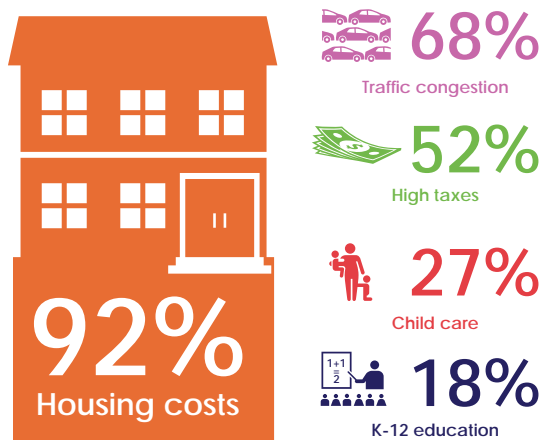
In the past few years, Silicon Valley has been unrivaled as the economic juggernaut of the state and nation. No area has fared as well. A study conducted by the Milken Institute in 2015 rated Santa Clara County as the top economic performer in the nation; San Francisco/San Mateo ranked second. During 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 percent¹. 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 average². These numbers reflect full employment in the truest sense, a condition found in few other areas of the country.

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 period³. 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.

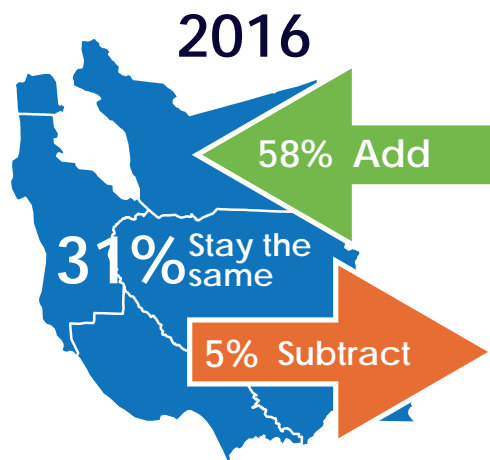
92%	2015	86%	2010
90%	2014	96%	2009
86%	2013	99%	2008
87%	2012	99%	2007
84%	2011	97%	2006



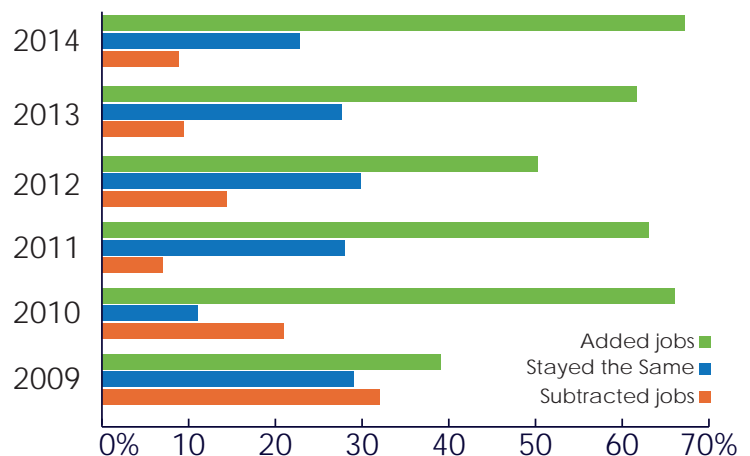
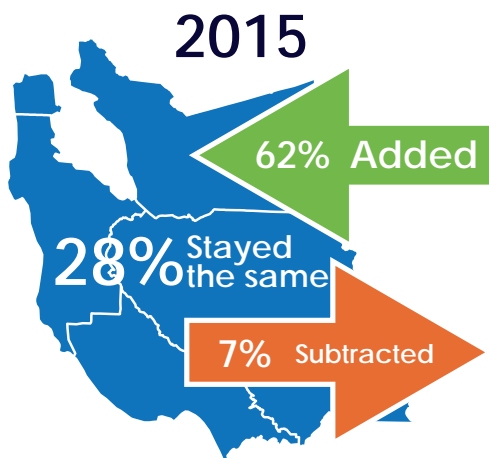
Business Climate

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.

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



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



Challenges & Strengths IN SILICON VALLEY

Challenges

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 H1-B 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 Area⁴. There have been some efforts by governments to remedy these infrastructure problems in recent years, although improvements have not kept up with growing needs.

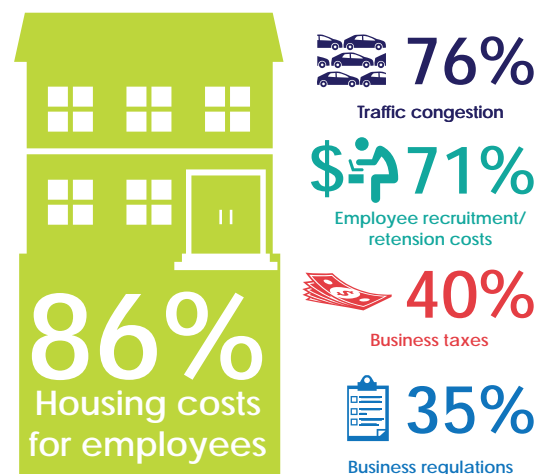
Challenges abound. First and foremost are the incredible difficulties associated with housing. In the 2016 survey, 86 percent of the respondents identified housing as the number one concern for their employees, up from the already high 84 percent cited in 2015, and up 14 percent from just two years ago. 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. Well 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 summarized CEO business climate concerns in 2016.

With respect to the business environment, high housing costs continue to dominate the local agenda. In the 2016 survey, 86 percent of the respondents cite this issue as the number one problem, slightly higher than the 84 percent mentioned in 2015. Next mentioned were traffic congestion (76 percent), and employee recruitment/retention costs (71 percent). Traffic congestion represented the greatest increase from the prior year, up a staggering 13 percent. So dominant are these three categories that the next highest response—business taxes—attracted responses from less than 40 percent of the survey participants.

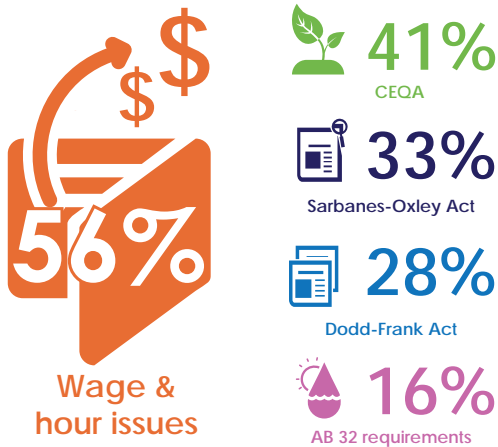
Regarding the business environment, CEO Business Climate Survey respondents expressed anxieties about employment conditions, particularly to the extent that they interfere with carrying out core objectives. When asked about the challenges pertinent to their industry, 56 percent cited wage and hour issues, 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, equaling the rate in 2015. Dodd-Frank and California's AB 32 (officially known as the California Global Warming Solutions Act) rounded out the top five issue areas, duplicating their positions in 2015.

What are the top 5 business challenges in Silicon Valley?



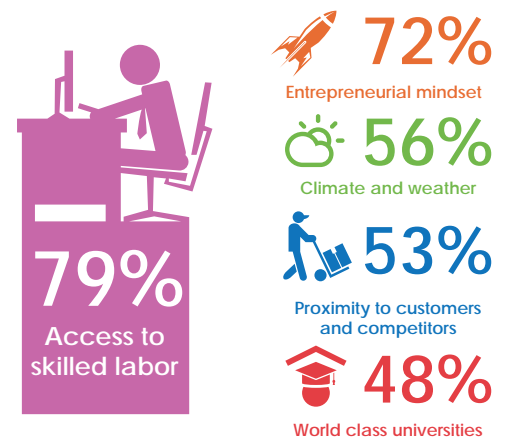
What are the top 5 business regulation challenges in Silicon Valley?



Strengths

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.

What are the top strengths of doing business in Silicon Valley?



Elected OFFICIALS



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.

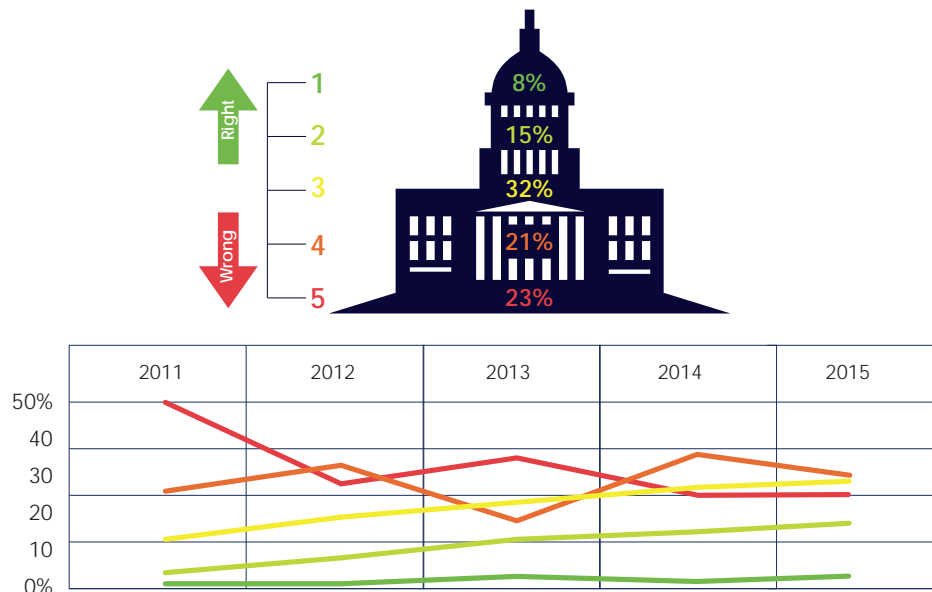
Of particular concern are issues such as K-12 public education funding, transportation and other infrastructure components, environmental management, workplace conditions, and regulation and taxation. In one way or another, each of these broad areas intersects with longstanding efforts of Leadership 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

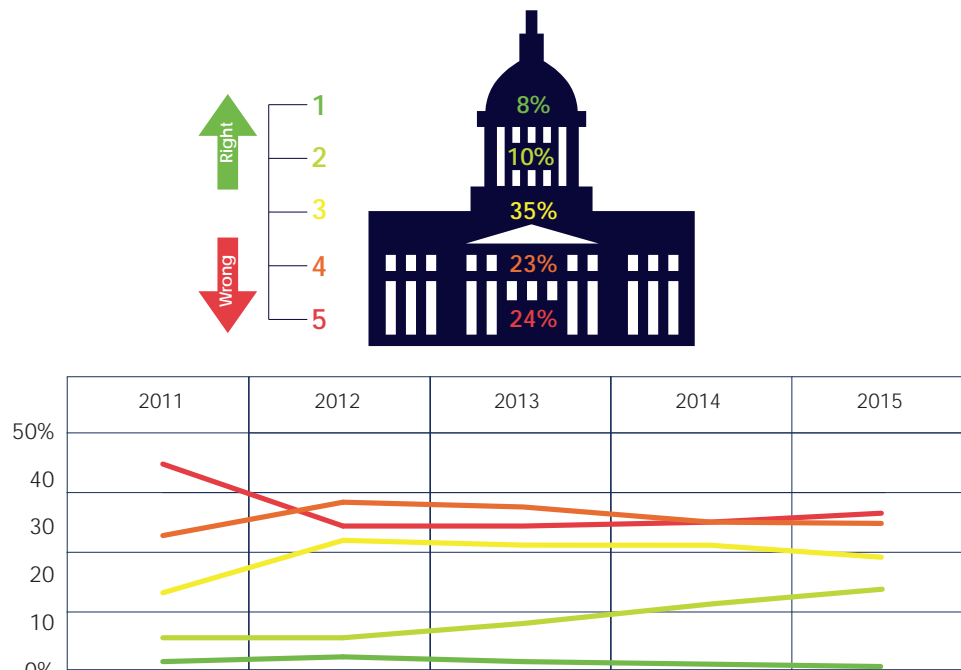
Beyond the legislative arena, California has a catacomb of more than 200 regulatory agencies and 100 boards. Often removed from the public eye, these policy making bodies have major impacts on businesses and the general economy. Whether on working conditions, environmental rules, licensing requirements, 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.



Statewide legislation is on the right track (1) or the wrong track (5) in creating a healthy business climate?



Statewide regulations are on the right track (1) or wrong track (5) in creating a healthy business climate?

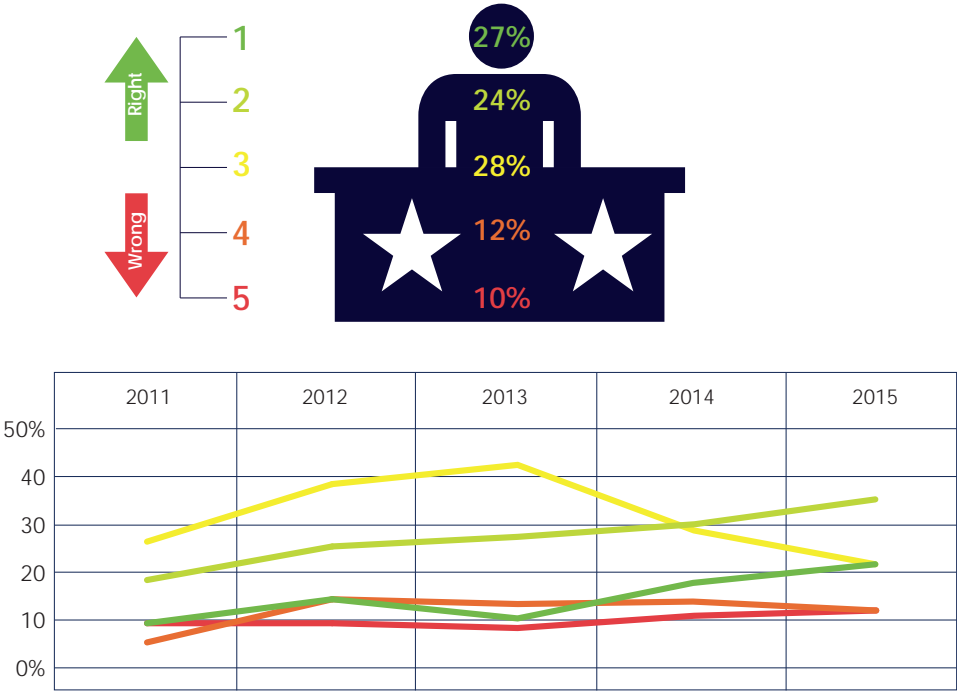




The Governor

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.

The Governor is on the right track (1) or wrong track (5) in creating a healthy business climate?



IMPROVING Government

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 from its members their 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 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.

What changes could local government undertake to improve the business climate for your company?



69%
Ease local street and road congestion



59%
Approve more affordable home developments



38%
K-12 education



25%
Streamline permit approval process



21%
Provide more community college training/work force development

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



71%
Invest in traffic relief/transportation improvements



57%
Help create more affordable housing



40%
Improve K-12 education



33%
Strengthen higher education funding



28%
Streamline permit approval process

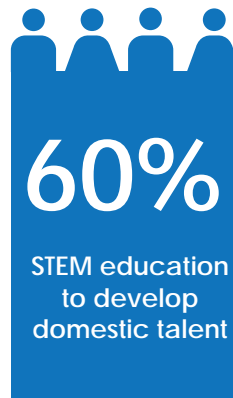
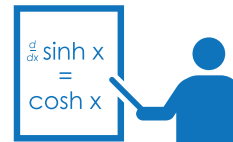
Improving Government

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 61 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.

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



56%

Comprehensive tax reform



53%

H1-b visa/green card reform



47%

Cybersecurity



28%

Repatriation of foreign earnings



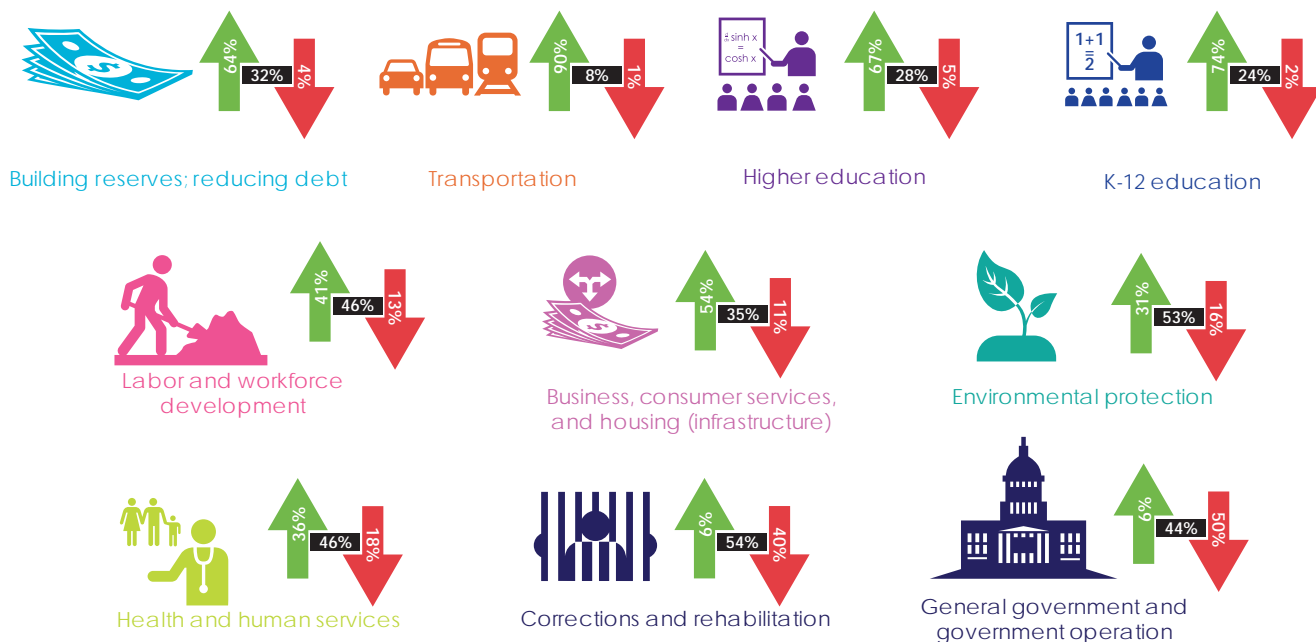
Current Public Policy Issues

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.

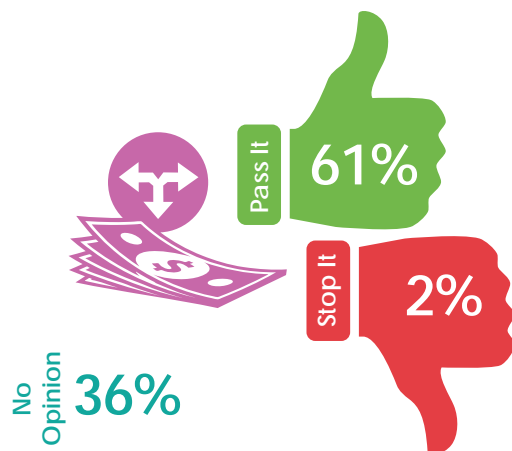
The nonpartisan state Legislative Analyst’s Office (LAO) projects that—absent changes in this year’s budget process—the state would end 2016-2017 with \$11.5 billion in reserves, including \$4.3 billion available for any purpose.
Which of the following options do you favor for the surplus:



Trans-Pacific Partnership

The proposed Trans-Pacific Partnership would ease trade restrictions between the United States and 11 Pacific Rim countries. President Obama submitted the agreement to Congress in January 2016, where the proposal remains today. Latest estimates are that Congress will vote on the package sometime between summer 2016 and the end of the year⁵. Judging by the results in the 2016 CEO Survey, the proposal is much more controversial in Congress than with Leadership Group members, where many member companies sell products abroad. When asked to weigh in on the issue, 61 percent of the respondents favored the trade agreement, with only 2 percent opposed; 36 percent expressed no opinion.

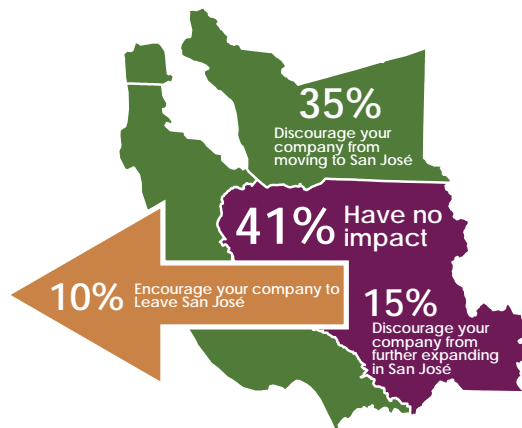
Do you support President Obama's effort to enact the Trans-Pacific Partnership



San José Gross Receipts Tax

In recent months, some critics of San José's revenue structure have called on the city to adopt a "gross receipts tax" on any business with annual receipts of one million dollars or more, whether it is profitable or not. At the time of the survey, this was a fluid question which might be resolved through a policy change by the San José City Council or the voters in a future election. Given that fair taxation is a concern of many Leadership Group members, the CEO Survey asked how their companies would respond to a seven fold increase in the business tax collected. Most members oppose the idea in various degrees. More than one-third (35 percent) said such a change would discourage their company from locating in San José. Fifteen percent replied that the new tax would discourage their company from expanding in San José, and 10 percent replied that their company would consider locations other than San José. Forty-one percent said the new tax would have no impact on their companies.

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





Conclusion

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. "State's golden for job market," San José Mercury News, December 10, 2015, pp. B5, B6.
 2. San José/Sunnyvale/Santa Clara Metropolitan Statistical Area, State of California, Employment Development Department, March 18, 2016, [http://www.calmis.ca.gov/file/lfmonth/sjos\\$pds.pdf](http://www.calmis.ca.gov/file/lfmonth/sjos$pds.pdf).
 3. "These numbers show some of the biggest tech companies are driving Bay Area's housing prices to crazy levels," Bay Area Insider, <http://www.businessinsider.com/bay-area-housing-prices-by-zillow-report-2015-11>, November 13, 2015.
 4. "Avoid Highway 101 like the plague, new transit study implies," Silicon Valley Business Journal, December 18, 2015, <http://www.bizjournals.com/sanjose/news/2015/12/18/avoid-highway-101-like-the-plague-new.html>.
 5. "Signing of Trans-Pacific Partnership trade deal opens up tough battle in U.S.," Los Angeles Times, February 4, 2016, <http://www.latimes.com/business/la-fi-pacific-trade-agreement-signed-20160204-story.html>.

Full Survey Results

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

29	16.3%	Software
25	14.0%	High-Tech Manufacturing / Semiconductor
24	13.5%	Internet/Communications
23	12.9%	Financial / Professional / Venture Capital
22	12.4%	Energy / Clean Tech / Utilities
13	7.3%	Gen. Manufacturing / Aerospace / Defense
8	4.5%	Bio-Tech / Med-Tech / Pharma
7	3.9%	Education / University
7	3.9%	Health & Hospital System
4	2.2%	Transportation
3	1.7%	Social Media
1	0.6%	Don't know/No Answer
12	6.7%	Other: Please specify

2. Number of employees in Silicon Valley:

37	20.8%	1-20
31	17.4%	21-100
39	21.9%	101-500
22	12.4%	501-1,000
32	18.0%	1,001-5,000
9	5.1%	5,001-10,000
5	2.8%	10,001 or higher
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	61.8%	Added jobs
49	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
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
1	0.9%	Don't know/no answer

5. If subtracted, how many?

3	23.1%	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%	More than 1,000
0	0.0%	Don't know/no answer

6. Beginning January, 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%	Stay the Same
8	4.6%	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	23.5%	21-100
6	5.9%	101-250
6	5.9%	251-500
0	0.0%	501-1000
1	1.0%	More than 1000
8	7.8%	Don't Know/No Answer

8. How many jobs do you expect to subtract?

5	35.7%	1-20
5	35.7%	21-100
0	0.0%	101-250
0	0.0%	251-500
0	0.0%	501-1000
1	7.1%	More than 1000
3	21.4%	Don't know/no answer

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

34	19.5%	Yes
132	75.9%	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, 2015?

14	38.9%	State and corporate taxes
5	13.9%	Reduced labor costs
4	11.1%	Proximity to customers
4	11.1%	Other
2	5.6%	More available workforce
1	2.8%	Lower land / lower infrastructure costs
0	0.0%	Less regulation
0	0.0%	Government incentives in new location /
0	0.0%	lack of tax policy incentives 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, 2015?

25	14.4%	Yes
141	81.0%	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, 2015?

13	52.0%	Reduced labor costs
3	12.0%	Government incentives in new location
3	12.0%	More available workforce
3	12.0%	Proximity to customers
1	4.0%	Less federal regulation
1	4.0%	Lower land / lower infrastructure costs
1	4.0%	More convenient supply chain
0	0.0%	U.S. corporate tax rates
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?

83	47.7%	Better
28	16.1%	Worse
57	32.8%	No change
6	3.4%	Don't know/no answer

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

137	79.2%	Access to skilled labor
124	71.7%	Entrepreneurial mindset
97	56.1%	Climate / weather
92	53.2%	Proximity to customers and competitors
83	48.0%	World class universities
65	37.6%	Access to venture capital
62	35.8%	Ethnic diversity
45	26.0%	Merit-based work environment
34	19.7%	Access to airports / seaports
22	12.7%	Arts and culture
19	11.0%	Pacific Rim locations
1	0.6%	Don't know/no answer
8	4.6%	Other, please specify

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

149	85.6%	High housing costs for employees
132	75.9%	Traffic congestion
124	71.3%	Employee recruitment / retention costs
69	39.7%	Business taxes
61	35.1%	Business regulations
52	29.9%	Immigration: H1-B visas and / or green cards
37	21.3%	Shortage of Skilled workers
34	19.5%	Health care costs
24	13.8%	Frivolous lawsuits
20	11.5%	Workers' compensation costs
14	8.0%	Energy costs
12	6.9%	Water
10	5.7%	Intellectual property protection costs
10	5.7%	Lack of skilled workers
5	2.9%	Access to capital
5	2.9%	Paid family leave
3	1.7%	Air transportation / cargo
2	1.1%	Don't know/no answer
7	4.0%	Other, please specify

16. Because you answered "Business Regulations" for business challenges, which of the following challenges applied:

34	55.7%	Wage and hour issues
25	41.0%	California Environmental Quality Act (CEQA)
20	32.8%	Sarbanes-Oxley Act
17	27.9%	Dodd-Frank Act (a.k.a. financial services reform), including the Volker Rule
10	16.4%	AB 32 requirements, including Cap-and-Trade
10	16.4%	Green chemistry regulations
8	13.1%	Import-export controls
2	3.3%	Don't know/no answer
9	14.8%	Other, please specify

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

157	92.4%	Housing Costs
115	67.6%	Traffic Congestion
88	51.8%	High Taxes
45	26.5%	Child Care Costs
31	18.2%	Health Care
23	13.5%	K-12 Education
12	7.1%	Higher Education
9	5.3%	Energy Costs
2	1.2%	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%	Ease local street and road congestion
101	59.4%	Approve more affordable home developments
65	38.2%	Improve K-12 public education
43	25.3%	Streamline permit approval process
36	21.2%	Provide more community college training/work force development
32	18.8%	Reduce public pension costs
25	14.7%	Fund more street maintenance/pothole repairs
17	10.0%	Improve public safety
8	4.7%	Enhance arts and culture
4	2.4%	Provide more parks and open space
4	2.4%	Don't know/no answer
12	7.1%	Other, please specify

19. What top five actions could the state government take to improve the business climate for your company?

120	71.0%	Invest in traffic relief / transportation improvements
97	57.4%	Help create more affordable housing
67	39.6%	Strengthen K-12 education funding
56	33.1%	Strengthen higher education funding
47	27.8%	Streamline regulatory and permit approvals
46	27.2%	Limit frivolous lawsuits
44	26.0%	Reform California Environmental Quality Act (CEQA), stop the abuses from CEQA
38	22.5%	Enhance and make permanent the research and development tax credit
37	21.9%	Further reduce public pension costs
25	14.8%	Invest in broadband deployment
25	14.8%	Reduce workers compensation rates
23	13.6%	Provide a financing mechanism for water infrastructure improvements and promote water supply reliability
22	13.0%	Offer full sales tax exemption for purchases of manufacturing equipment
18	10.7%	Lower energy costs
17	10.1%	Adopt performance-based budgeting
13	7.7%	Avoid split roll tax
7	4.1%	Don't know/no answer
4	2.4%	Other, please specify

20. Which 5 of the following issue areas deserve the most attention from the federal government for Silicon Valley:

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 visa / green card reform
79	46.7%	Cybersecurity
47	27.8%	Repatriation of foreign earnings
46	27.2%	Federal debt and deficit
42	24.9%	Climate change legislation to reduce greenhouse gases and increase energy security
36	21.3%	Intellectual property protection
35	20.7%	Comprehensive energy policies
34	20.1%	Dodd-Frank reform, a.k.a. financial services reforms
30	17.8%	The Trans-Pacific Partnership (Trade Agreement w/ 12 Asia Pacific Countries)
26	15.4%	Internet privacy
25	14.8%	Implementation of the Patient Protection and Affordable Care Act of 2010, a.k.a. national comprehensive health care reform
19	11.2%	Sarbanes-Oxley reform
18	10.7%	Broadband deployment
8	4.7%	Other, please specify

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

128	74.9%	Yes
43	25.1%	No



22. Please select the states in which you have a physical presence:

72	57.1%	California
68	54.0%	Texas
47	37.3%	New York
46	36.5%	Massachusetts
44	34.9%	Georgia
44	34.9%	Washington
42	33.3%	Colorado
42	33.3%	Florida
40	31.7%	Illinois
39	31.0%	Arizona
38	30.2%	District of Columbia
36	28.6%	Oregon
31	24.6%	New Jersey
30	23.8%	Virginia
29	23.0%	North Carolina
29	23.0%	Pennsylvania
27	21.4%	Ohio
27	21.4%	Utah
25	19.8%	Maryland
24	19.0%	Tennessee
22	17.5%	Alabama
22	17.5%	Michigan
22	17.5%	Minnesota
22	17.5%	Nevada
20	15.9%	Connecticut
19	15.1%	Idaho
18	14.3%	Hawaii
17	13.5%	Indiana
17	13.5%	South Carolina
16	12.7%	New Hampshire
15	11.9%	Kentucky
15	11.9%	Mississippi
15	11.9%	New Mexico
15	11.9%	Wisconsin
14	11.1%	Louisiana
14	11.1%	Oklahoma
13	10.3%	Arkansas
13	10.3%	Delaware
13	10.3%	Missouri
12	9.5%	Kansas
12	9.5%	Rhode Island
11	8.7%	Maine
10	7.9%	Iowa
10	7.9%	Montana
10	7.9%	Nebraska
10	7.9%	Vermont
10	7.9%	West Virginia
9	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
43	34.7%	Los Angeles, California
39	31.5%	Boston, Massachusetts
38	30.6%	Washington, District of Columbia
38	30.6%	Dallas, Texas
35	28.2%	Seattle, Washington
34	27.4%	Atlanta, Georgia
34	27.4%	Austin, Texas
32	25.8%	Denver, Colorado
32	25.8%	Chicago, Illinois
31	25.0%	New York, New York
30	24.2%	Phoenix, Arizona
29	23.4%	Portland, Oregon
27	21.8%	San Diego, California
25	20.2%	Houston, Texas
24	19.4%	Other, please specify
23	18.5%	Sacramento, California
22	17.7%	Raleigh, North Carolina

22	17.7%	Philadelphia, Pennsylvania
20	16.1%	Miami, Florida
18	14.5%	Oakland, California
18	14.5%	Las Vegas, Nevada
16	12.9%	Baltimore, Maryland
16	12.9%	Minneapolis, Minnesota
15	12.1%	Detroit, Michigan
14	11.3%	Charlotte, North Carolina
14	11.3%	Columbus, Ohio
14	11.3%	San Antonio, Texas
13	10.5%	Nashville, Tennessee
12	9.7%	Tucson, Arizona
12	9.7%	Colorado Springs, Colorado
12	9.7%	Cleveland, Ohio
11	8.9%	Jacksonville, Florida
11	8.9%	Indianapolis, Indiana
11	8.9%	Memphis, Tennessee
11	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
5	4.0%	Wichita, Kansas

24. Are you a multinational corporation?

86	50.3%	Yes
85	49.7%	No

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

55	66.3%	Closer to Customers
39	47.0%	Lower Cost of Doing Business
36	43.4%	Talent / Workforce
26	31.3%	Closer to Supply Chain
18	21.7%	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

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

16	21.6%	0-10%
12	16.2%	11-20%
9	12.2%	21-30%
7	9.5%	31-40%
7	9.5%	41-50%
6	8.1%	51-60%
6	8.1%	61-70%
5	6.8%	71-80%
3	4.1%	81-90%
3	4.1%	91-100%

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

101	61.2%	Pass it
4	2.4%	Stop it
60	36.4%	No opinion/no answer

28. The nonpartisan state Legislative Analyst Office (LAO) projects an up to \$4.3 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	37	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 Operation
86	5	43	Building Reserves; Reducing debt

29. Generally speaking, would you say that:

Right	2	3	4	Wrong	Average Rating	
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?
8%	10%	35%	23%	24%	3.46	Statewide regulations are on the right track (1) or wrong track (5) in creating a healthy business climate?
27%	24%	28%	12%	10%	2.53	Governor Brown is on the right track (1) or wrong track (5) in creating a healthy business climate?
8%	16%	31%	21%	25%	3.38	The state legislature is on the right track (1) or wrong track (5) in creating a healthy business climate?

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?

60	39.2%	Transportation Funding Measures in Santa Clara, Santa Cruz & San Francisco Counties
46	30.1%	Education: K-12
39	25.5%	Housing/Land Use
35	22.9%	Cybersecurity
30	19.6%	Immigration Reform: H1B Visas and Green Cards for Highly Skilled Workers
30	19.6%	Tax Policy: Comprehensive Federal Tax Reform
28	18.3%	Education: Higher Ed
25	16.3%	Environment
22	14.4%	Regulatory reform: California Environmental Quality Act (CEQA)
17	11.1%	Energy
17	11.1%	Health Care
16	10.5%	Data Privacy
14	9.2%	State Budget and Governance Reform
13	8.5%	Bay Restoration & Flood Protection
12	7.8%	Education: Pre-K
11	7.2%	Tax Policy: State R&D Tax Credits
10	6.5%	Trade: Enact the Trans-Pacific Partnership
10	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:

56	34.6%	Discourage your company from locating in San José
24	14.8%	Discourage your company, if already located in San José, from expanding further in San José
16	9.9%	Encourage your company to leave San José for other more business friendly locations
66	40.7%	Have no impact on your decision to stay or come to San José

Participants

#YesWeCode
4PIA
A10 Networks
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Advanced Micro Devices, Inc. (AMD)
Allied Telesis Inc.
ALOM
Alta Devices
ANA
Anaerobe Systems
Apple Inc.
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Global Thermostat
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Good Samaritan Hospital
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Proterra, Inc.
PwC
Ripple
Salesforce
San José City College
San Francisco Chronicle
San José Sharks
San José Water Company
Sanmina Corporation
Santa Clara University
SAP
Sapphire Ventures
SendHub
Silicon Graphics (SGI)
Silicon Valley Bank
Silicon Valley Leadership Group
SmileyGo Corporation
Snafu Corp
Splunk
Stryker
Suffolk
SunPower Corp
Synaptics
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Taos
Tech CU
TeenForce
Tessera
Texas Instruments
Trimble
Trinet
TSMC NA
Umpqua Bank
Unitive
University of California Santa Cruz
University of Notre Dame
University of Phoenix, Bay Area Campus
UPS
UtilitAPI
Varian Medical Systems
Verdafero Inc
Verizon
Virgin America
Voom
Webcor Builders
Wells Fargo
Western Digital

**Several company responses declined to self identify*



About the Leadership Group

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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