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LEADERSHIP GROUP

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May 21, 2021

SUBJECT: The Silicon Valley Leadership Group's FY 2021-2022 Budget Priorities,
May Revise Update

First and foremost, thank you for your continued leadership and service during a challenging moment in our state's history.

Enclosed are some of the top-level budget priorities for our members, which have been updated since the release of the Governor's May Revise budget proposal. These are brought to you on behalf of over 350 of Silicon Valley's most respected employers, who are focused on issues that affect the economic vitality and quality of life in Silicon Valley.

The following priorities are presented with a focus on ensuring we maintain a vital and robust economy, as well as mitigate further economic dislocation — with the intent of driving a more competitive business environment and fostering greater innovation and job creation. The priorities are broken out by issue area.

Please do not hesitate to reach out if you would like to discuss our positions further. It would be a pleasure to speak with you.

Sincerely,

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ECONOMIC COMPETITIVENESS — REVENUE & TAX

Last year, California businesses and employers faced serious economic uncertainty. Nevertheless, facing predictions of massive revenue losses, the State enacted AB 85, which for the years 2020, 2021, and 2022 suspended the Net Operating Loss (NOL) deduction and limited business tax incentives to \$5 million per year in order to raise over \$9 billion of additional revenue. The dire budget predictions fortunately did not come to pass and with the State's unprecedented budget surplus, California should now reverse these tax increases imposed on California's employers to encourage a stronger economic recovery.

We also need to consider that the pandemic has caused dramatic changes in traditional working environments that could have a material and lasting impact on California's fiscal situation. The 2020 Census will likely result in the loss of a Congressional seat due to the first ever population loss in the history of our state. It is quite possible that we will see many employees — who now can work from anywhere — choose to leave California for states with lower housing costs and a more favorable tax environment.

Maintaining California's competitive advantages is top-of-mind for SVLG members. Recently, several major companies moved their headquarters and other operations out of California. It is critical for our state's short-term recovery and long-term economic competitiveness to send a message to businesses that California intends to encourage investment and job creation by providing a stable and competitive tax environment.

EDUCATION & WORKFORCE DEVELOPMENT

The Leadership Group appreciates the landmark Kindergarten-Career investments included in the May budget proposal. Specifically, we laud allocations for safely reopening California's schools, restoring core funding to higher education, strengthening the teacher pipeline through the Golden State Teacher Grant Program, as well as those for professional development in STEM, and workforce development and segment alignment. To further ensure our education and training systems are equipped to prepare all Californians for 21st century jobs — and to help ensure that these new, bold investments meet their goals — SVLG supports:

- Closing the fiscal loophole in the local control funding formula highlighted by AB 1835
- Continued prioritization of the cradle to career data system
- Increasing financial aid for non-tuition college costs to address basic needs insecurity among California's college students
- Creating an independent commission to coordinate postsecondary education

ENERGY

SVLG supports substantial investments in clean energy as a way to meet our greenhouse gas reduction targets, lower costs for consumers, and create jobs in California. This includes:

- Investments in solar and storage at schools so they can be used as resiliency centers during times the power goes off. We are encouraged that there is \$150 million for Community Resilience Centers in the Emergency Response portion of the budget proposal;

we request that outlay specify that clean technologies power these centers, and that schools can qualify as such centers.

- Fully funding the Governor's request for \$175 million for deferred maintenance and energy efficiency expenditure at UC and CSU campuses in addition to the \$150 million from the American Rescue Plan funding of 2021 — this line item is in the Higher Education portion of the budget.

ENVIRONMENT

The Leadership Group recognizes the link between environmental conditions and economic stability/prosperity, and we appreciate that the Governor and his administration do as well. Climate change and its impacts pose serious consequences for our members and the Bay Area communities in which they live, work, and play.

Our companies are business leaders on greenhouse gas reduction — both in their operations and through the services and products they provide. We are excited that the May Revise includes substantial investments in zero-emissions vehicles and associated infrastructure. We appreciate the Governor's recognition of climate resilience as an environmental priority and look forward to working with the Administration on increasing budget funding in that realm.

Climate Resilience. SVLG seeks a \$500 million state match to help aid the effort to protect San Francisco Bay and the Silicon Valley region from the catastrophic threat of rising waters:

- As we continue work to reduce climate pollution, it is crucial that we also invest in adaptation measures to prepare for climate impacts that we are experiencing now and will continue to in the future. The particularly challenging climate risk and impacts for the Bay Area come in the form of rising waters. Well over a million residents and up to \$50 billion (in 2000 dollars) in infrastructure are directly at risk in our region.
- Scientists have identified a 2030 deadline by which critical infrastructure must be in place and viable to protect our communities against rising (and increasingly so) waters. The San Francisco Bay shoreline accounts for roughly half of the total California coastline, and we need upwards of \$1.5 billion total to fund the most critical wetlands and infrastructure project work for our region.
- In 2016, over 70 percent of Bay Area voters across its 9 counties supported Measure AA, a regional parcel tax raising \$500 million over 20 years to help fund San Francisco Bay wetlands restoration. However, this funding stream alone cannot pay for the San Francisco Bay's restoration and flood protection needs.
- At least \$500 million in state matching funds are urgently required to begin and complete necessary SF Bay flood protection and restoration (gray and green infrastructure) projects. We can fund and implement the necessary amount of restoration program work now, if we have sufficient state matching funds.
- The May Revise proposal to put \$200 million toward the whole California coast for Wetlands Restoration is a start, but given the above, more should be allocated — specifically for the San Francisco Bay, for the various reasons noted above.

Zero-Emission Vehicles. Thank you for substantially funding the Hybrid Voucher Incentive Project and Clean Vehicle Rebate Project; the Leadership Group lauds the Governor's Zero-Emission Vehicle proposal in the May Revise. The investments in 1,000 ZEV transit buses and 1,000 ZEV school buses offer crucial support for vehicle manufacturers and charging providers to continue deployment of vehicles and infrastructure in line with our state's commitments. The May Revise

proposal enables more California companies and consumers to access and afford these technologies. The Leadership Group thanks the Newsom administration for its commitment to decarbonizing transportation — both heavy-duty and light-duty vehicles — and looks forward to continued partnership on achieving this critical climate goal.

The funding for the Clean Vehicle Rebate Project is a step in the right direction; the Leadership Group would support additional funding. The Senate’s proposed funding of \$175 million a year for two years would better fill the need of this perennially oversubscribed program that the Center for Sustainable Energy projects could use over \$200 million for each of the next three years. This funding will aid California along the way to implementing the Governor’s Executive Order N-79-20 requiring all new passenger vehicle sales to be Zero Emissions by 2035.

HOUSING

During this time of housing instability we applaud the Governor for doubling down on helping those most in need with additional funding of \$2.75 Billion for Project Homekey and \$9.3 Billion for Housing and Homelessness issues overall. In addition to providing planning and zoning grants to local governments, we must also boldly hold them accountable for meeting their RHNA goals and ensuring they implement housing elements that promote homes near jobs, transit, and community resources. We support efforts that promote housing production for all incomes because our economic future depends on it and equity demands it in order to allow for the opportunity for everyone to have a place to call home.

In addition to specific one-time allocations, we encourage you to support legislative efforts to increase housing production to reduce pressure on the housing market and lower costs.

TECH & INNOVATION

With the rise of remote work, greater online learning, and increased demand for telehealth, the need for high-speed internet access has never been greater. Expansive broadband access is needed to conduct the affairs of residents, reduce the digital divide, and build the digital infrastructure to support our innovation economy.

The revised budget recognizes that investment of state and federal ARPA funds are critical to building broadband networks, and assist providers in filling *last mile* coverage gaps. The state wisely views this issue as a collaboration between the public and private sectors.

Expanded networks and digital infrastructure require greater security. The Leadership Group supports the proposed \$11.4M of security assessments to ensure that critical infrastructure is properly protected.

TRANSPORTATION

The Leadership Group supports the Governor’s recommendations in the May Revise for transportation investments, especially the following that align with the principles within the draft Climate Action Plan for Transportation Investment framework developed by CalSTA:

- Appropriating the remaining \$4.2 billion of 2008 Prop 1A funds for California High-Speed Rail to continue advancing this landmark project to connect the state
- \$500 million for the Active Transportation Program
- \$500 million for much needed high-priority grade separations and grade crossings to keep our state moving
- \$1 billion for priority transit and rail projects
- And the call for additional funding for zero-emission vehicles as outlined in the Environment section

In particular, the Leadership Group recommends that the BART Silicon Valley Phase II project to San Jose and Santa Clara be considered for priority transit and rail projects, as a top Bay Area priority. The Santa Clara Valley Transportation Authority has applied for \$1.735 billion in federal funds for this project through the Federal Transportation Administration's Expedited Project Delivery Program, and anticipates a decision from the FTA. Additional critical funding is needed from the state to complete this 6.5 mile, 4 station segment and provide a high-quality transit option for residents to access economic opportunity.

CC:
Department of Finance
Bay Area Caucus