



**SILICON VALLEY
LEADERSHIP GROUP**

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DATE

May 20, 2022

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SUBJECT: The Silicon Valley Leadership Group's Updated 2022-2023 Budget
Priorities, *May Revise Update*

Thank you for your continued leadership and service to our state.

California's record budget surplus represents a once in a generation opportunity to address some of our most pressing issues. Critical investment is needed in a number of areas so that Silicon Valley can continue to be the best place for innovation, and so that California can remain competitive.

Please find enclosed our top-level budget priorities as an organization, broken out by issue area. These are brought to you on behalf of more than 400 diverse member companies that are shaping the innovation economy.

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,

Mike Mielke
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TRANSIT INFRASTRUCTURE

The ability to attract and retain workers is a critical issue for businesses. An important part of that are safe and reliable public transit systems, which are facing an unprecedented crisis and need substantial support in order to meet the moment. The SVLG supports the transportation component of the California Senate's Budget Plan, which proposes \$20 billion over four years, including \$11.8 billion in public transit infrastructure, \$2.9 billion for active transportation and climate resilience, \$2 billion for grade separation projects, \$2.1 billion for freight and workforce investments, and \$1.25 billion for congestion mitigation and bridge repair and replacement.

We believe priority should be given to supporting transit capital projects with federal funds at stake across the finish line. Specifically, we recommend that projects that have previously received TIRCP funds and have a funding agreement with the Federal Transit Administration for Capital Investment Grants (including from the Expedited Project Delivery Pilot Program) be given precedence. Funds for these projects would need to flow quickly to meet federal timelines. Caltrain Electrification and Bart to Silicon Valley Phase II are high priority projects which are opportunities for the state to use one-time money to help close the funding gaps and get these projects done.

Additionally, we urge the state to continue to support High Speed Rail. This project, like BART Phase II, has an excellent chance of bringing more federal funding to California, including competing for \$46 Billion in new competitive grants in the recently-passed federal Infrastructure Investment and Jobs Act, and helping the state reduce greenhouse gas emissions while also boosting our economy for decades to come.

Finally, in addition to these specific projects, there has never been a better time for a generational investment in transformational transit projects to achieve the state's ambitious zero emission transit requirements and meet future ridership demand.

EDUCATION AND WORKFORCE DEVELOPMENT

Access to talent is another business competitiveness issue. With talent shortages and skills gaps impeding growth across many critical industries, the Silicon Valley Leadership Group applauds the Governor's proposed investment to better coordinate training pathways in the high-need fields of education, healthcare, technology, and climate action. The proposal's anchors — leveraging data to address equity gaps, increasing coordination between colleges and universities, streamlining transfer processes to accelerate students' progress to degree, and providing multi-year funding to CSU and UC — are timely interventions that will prepare more Californians for the workforce.

We encourage the Governor and Legislature to take additional steps to broaden and diversify California's talent pipeline by adopting the Cal Grant Equity Framework set out in [AB 1746 \(Medina and McCarty\)](#), with a particular emphasis on increasing financial aid for non-tuition costs to address basic needs insecurity among California's college students; dedicating specific funding for K-12 computer science (CS) education and CS teacher training; and, creating an independent commission to coordinate postsecondary education more efficiently.



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CLEAN ENERGY

The SVLG appreciates the Governor's recognition of the urgency for action regarding the climate crisis, and supports the Newsom Administration's funding proposal as a floor for investments in this area. Specifically, the Silicon Valley Leadership Group supports the expenditures put forward for zero emission vehicles, long duration storage, and green hydrogen.

We encourage the Governor and Legislature to go further in other areas to build the green infrastructure necessary to fully decarbonize the state's grid. This includes incentives for electrification of commercial buildings, build-out of transmission to connect utility scale renewable energy power plants (offshore and on land) to urban centers, and more clean and efficient energy options (solar plus storage and demand response) to avoid the use of diesel backup generators and otherwise extend the life of natural gas power plants.

We applaud the creation of the Strategic Electricity Reliability Reserve in the Governor's May Revise, but we note that the solutions that can provide greatest relief now do not receive funding for 2022-23. We also encourage the state to invest \$200 million for distributed energy resources and demand-side management incentives (distributed storage, demand response) appropriate to meet the state's near-term reliability needs, and \$100 million for firm, flexible distributed energy resources (linear generators, fuel cells, microturbines, dispatchable microgrids) with an upfront, technology-neutral incentive of \$3/watt to avoid deployment of diesel back-up generators at commercial scale. Each of these investments should be funded now so we can weather the potential outages this summer.

The SVLG also applauds the Governor's significant investments in zero-emission vehicles (ZEV). The investments in ZEV transit buses and 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. We thank the Newsom Administration for its commitment to decarbonize transportation — both heavy-duty and light-duty vehicles — and we look forward to continued partnership in achieving this critical climate goal.

The funding for ZEV passenger vehicle incentives and charging infrastructure is a step in the right direction; the SVLG would support additional funding to implement the Governor's Executive Order N-79-20, which calls for all new passenger vehicle sales to be zero emission by 2035.

We also strongly support the \$185 million the Governor proposes for climate resiliency programs and research at the University of California system. Additionally, we ask for support of the UC system's one-time investment in capital outlay projects—for energy efficiency and deferred maintenance of \$1.6 billion this year. As part of this request, the Berkeley campus is seeking \$365 million in funding to replace its aging, fossil-fuel cogeneration plant with a 100% clean energy micro grid. This is critical, as enrollment cannot grow without a reliable energy source, and the existing plant has less than 10 years of usable life left. UC Berkeley is in the top 30% of all polluters in the state; this investment would reduce campus greenhouse gas emissions by 80%.

ENVIRONMENT

The SVLG applauds the Governor's commitment to funding climate resilience, including protecting our communities from the threat of wildfire, drought, and sea level rise. We continue to advocate for the urgently needed dedicated funding for the San Francisco Bay to complete necessary flood protection and restoration projects to combat the



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threat posed by rising waters. While we recognize and applaud the \$500 million allocated to the State Coastal Conservancy in the 2021 budget to address sea-level rise throughout the entire state, it is estimated that at least \$1.5 billion is needed to fund installation of the sort of critical green infrastructure that is needed at the water's edge all along the San Francisco Bay.

The SVLG therefore seeks a \$500 million state match to help aid this effort. In 2016, over 70 percent of Bay Area voters approved Measure AA, a regional parcel tax that will raise \$500 million over 20 years that will help fund green infrastructure. However, Measure AA funds alone are inadequate to meet the San Francisco Bay's restoration and flood protection needs. State matching funds are urgently required, as we face a 2030 deadline whereby the seas will rise too fast at that point for this critical green infrastructure to take root and stay viable.

REVENUE & TAX

California's innovation economy and manufacturing sector would benefit greatly with fewer impediments to investment in the State. Removing current limitations on the partial sales tax exemption for manufacturing and research and development (R&D) equipment would be a great step toward encouraging more manufacturing and R&D in California. We encourage the Governor and the Legislature to enact [AB 1951 \(Grayson\)](#), which provides for a full sales and use tax exemption for the purchase of manufacturing and R&D equipment. AB 1951 will help spur further job creation and investment in California; complementing the enactment of [SB 113](#) earlier this year, which restored NOLs and R&D credits to help California businesses that have struggled through the pandemic to remain competitive. AB 1951 has already passed unanimously out of the Assembly Revenue and Taxation Committee.

TECH AND 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 California's world-leading Innovation Economy.

The SVLG supported the state's \$6 billion 2021-22 Budget investment in building out California's broadband infrastructure. Critical to this effort is the \$2 billion allocated for assisting providers in filling last-mile coverage gaps. The 2021-22 Budget also wisely invested in information security to strengthen state cyber defenses. To build on this momentum, and make further gains in reducing the Digital Divide, the SVLG urges increased investment in building the physical and digital infrastructure for the Golden State's broadband architecture, and continuing to prioritize last-mile projects that directly connect underserved residents, businesses, and communities with local networks. We were encouraged earlier this year when the California Public Utilities Commission established the Local Agency Technical Assistance grant program to leverage a total of \$50 million for last-mile project grants in 2022. While this is an important first step, we request that additional funding be made available and that these grants be provided with all possible speed.

California's Tech Economy supports over 1.8 million jobs and accounts for more than a quarter of America's nearly \$2 trillion Innovation Economy.¹ The state's diversity can be better leveraged to grow this industry. As such, the



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SVLG supports the proposed plan for Accelerate CA that would sustain Inclusive Innovation Hubs, and encourage business creation in traditionally underserved communities.

California has consistently attracted top global talent and ambitious entrepreneurs from around the world. This is a competitive advantage that helps our Innovation Economy flourish. It is why we also support GO-Biz efforts around Immigrant Integration and Talent that will help coordinate the workforce involvement of international workers.

HOUSING

The Silicon Valley Leadership Group supports linking our housing and climate investments in way that serves our critical climate goals. While SB 375 Sustainable Communities Strategies SCS planning documents recognize the relationship between housing and climate and identify low Vehicle Miles Traveled (VMT) sites for housing, many state grant funding programs have historically treated housing and climate as two separate problems.

California can continue to be more strategic in its approach to both, and look for opportunities to leverage state, regional, and local programs to house families and reduce VMT. State funding programs meant to increase infill development are not keeping pace with regional and state housing goals, or helping develop infill sites in many parts of the state. To develop these sites, money is needed to assist local governments and special districts in upgrading necessary infrastructure, like sewage and water lines, to make it affordable to build housing at those locations. The existing Infill Infrastructure Grant program (IIG) should be expanded to include a new complimentary funding program to connect regional Sustainable Communities Strategies to reduce VMT.

Expanding the IIG grant program to help underwrite necessary infrastructure at housing sites identified in the state's innovative regional Sustainable Communities Strategies is one way to connect these state programs. While the IIG program has funded numerous commendable individual projects, the selection process could do much more to directly connect with regional Sustainable Communities Strategies to reduce VMT.

We respectfully request that the state invest \$5 billion (over a period of three to five years) in a new complimentary IIG program with separate funding criteria (while preserving the current IIG program). Although the housing crisis and associated climate issues permeate the state, each region is affected differently. A statewide program should include a means to determine the best projects within each region. Factors around climate, housing affordability, travel, access to transit, and economic opportunity are different between major areas like Southern California, the Bay Area, San Joaquin Valley, and the Central Coast.

We are encouraged that the Governor's budget includes a \$500 million augmentation to the existing IIG program. The SVLG believes we can build on this and make modifications to more strongly link Sustainable Communities Strategies to areas in need of funds, to help serve communities across our state more effectively.

CC:
Department of Finance

¹ Governor's Office of Business and Economic Development, <https://business.ca.gov/industries/high-tech/>;
CompTIA Cyberstates 2020 Report, <https://www.prnewswire.com/news-releases/us-tech-employment-surpasses-12-million-workers-accounts-for-10-of-nations-economy-301044415.html>.