ECONOMIC MOBILITY FOR LOW-WAGE WORKERS

# INCLUSIVE ECONOMIC DEVELOPMENT

## FUNDING HIGHLIGHT

**$1.6B**[1]

Investments in high-growth sectors and the industries that support them in 2025 through the state's first ever region-based statewide economic development strategy.

California's economic development policies shape where businesses invest, what jobs are created, and whether low-wage workers benefit from economic growth. The next Governor will make **key choices about how the state attracts and retains businesses, approaches permitting and regulation, invests in regional economies and infrastructure, and prepares workers for quality jobs.** These decisions will shape where economic growth occurs and whether workers across California—particularly those in regions that have seen less growth—have access to quality jobs and greater economic mobility.

## CRITICAL FOCUS AREAS FOR THE NEXT GOVERNOR

### → *Strengthening the state's economic development function.*

Authority over programs, initiatives, and policies that further the state's economic development are spread across a variety of state agencies, departments, and boards. A new administration should consider the state's greatest needs in economic development and ensure relevant agencies have the scope and authority needed to attract employers that will sustain quality jobs for California workers.

### → *Regional and sector-based strategies for quality job development.*

Understanding how California directs investments across regions and industries can help assess whether economic development efforts are creating quality jobs and expanding opportunity for low-wage workers. Job creation alone may not improve mobility if jobs do not provide living wages, benefits, and advancement opportunities.

## KEY LEADERSHIP DECISIONS

- Director, Governor's Office of Land Use and Climate Innovation
- Director, Governor's Office of Business and Economic Development
- Director, Governor's Office of the Small Business Advocate
- Deputy Director, Office of Regional Economic Development Initiatives

### → *Balancing growth, housing, climate, and permitting*

California's ability to create jobs increasingly depends on its ability to build housing, develop and maintain infrastructure, and advance sustainable renewable energy resources that support employees and industrial facilities alike. Balancing these competing priorities in ways that enable California to build what it needs while protecting the environment, expanding opportunity, and maintaining its economic competitiveness is critical.

## STRATEGIC QUESTIONS FOR CONSIDERATION

How are the state's economic development agencies structured and resourced to best aid employers in overcoming barriers to doing business and growing quality jobs in California?

How will the next governor advance a "regions-up" economic development strategy[6] to ensure community-aligned quality job growth is accessible to every part of California?

How will the next governor strategically leverage business incentives, region-specific resources, and community engagement to intentionally grow industries that support sustainability goals while bringing middle skill quality jobs to the state?

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## CALIFORNIA'S INCLUSIVE ECONOMIC DEVELOPMENT SYSTEM AT A GLANCE

**86%**
Californians identifying access to well-paying jobs as a problem in their region[2]

**$2.56B**
Capital investment in 2025 supported by the CA Competes Tax Credit[3]

**61k**
Jobs associated with the 2025 Jobs First investments[4]

**16.7k**
Jobs supported by the CA Climate Investments in 2024[5]

## PROGRAMS TO KNOW



### Economic Development Plans

**Purpose:** In 2025, California's thirteen Jobs First regions' plans were accepted as Comprehensive Economic Development Strategies (CEDS) by United States Economic Development Administration. These strategies marked the first time all of California's cities and counties have a federally recognized economic development strategy. However, without integration into city and county general plans the actualization of the economic benefits of these strategies may not materialize. Additionally, the lack of economic development elements in general plans impairs the state's ability to understand how current implementation of state laws regulating land use and permitting processes impact the state's economic development vision. With general plans developed every 15-20 years, and no state law setting a required cadence, there's no guaranteed near-term opportunity to fold a newly accepted CEDS into a local government's plan.

**Why it matters**

- Leaving Economic Development as an optional general plan element, rather than an essential or required element, contributes to the lack of systematic tracking of how land use and permitting decisions affect economic outcomes. That lack of visibility into the connection between permitting and outcomes leaves the state without a structural way to assess whether current implementation of state and local planning and permitting policies advances or undercuts its economic development vision.
- General plans also govern the zoning and permitting decisions that determine where commercial and industrial development can occur. Program environmental impact reports (EIRs) adopted at the general plan level let consistent projects utilize components of an existing EIR, which leads to faster review. When economic development opportunities aren't intentionally included in the general plan, regions miss the opportunity to take advantage of the proactive work done to expedite approvals.
- Smaller, lower-resourced cities and counties need economic development integration most but are least equipped to update general plans or build out permitting capacity — constraining Jobs First implementation even where state policy supports growth.

Project produced by Capitol Impact, supported by The James Irvine Foundation.

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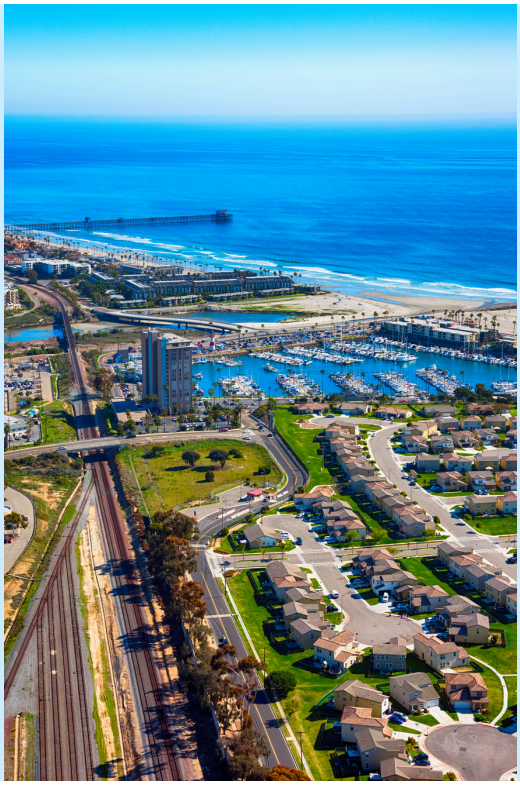
## PROGRAMS TO KNOW



### California Jobs First Initiative

**Purpose:** California's flagship regional economic development strategy; incentivizes coordination and highlights opportunities for job creation, industry growth, and economic equity. It was originally funded with federal dollars from the American Rescue Plan. As that money is spent down, the longevity of this program will be determined by the next administration's budgetary prioritization of economic development.

**Why it matters**

- This program gave the state a regional framework for economic development allowing investments to respond to regional differences and avoid the disparate regional impacts caused by historical strategies.
- By connecting economic priorities to workforce development strategies, it ensures residents have access to the benefits of local investments.
- California's next governor must determine the future of this regions up approach to economic development.

### Business Tax Credits and Financing

**Purpose:** One of the state's primary business growth tools comes in the form of offering access to funding. Tax credits help determine where firms locate, invest, and hire. These include the California Competes Tax Credit, Research Tax Credit, Motion Picture and Television Tax Credit, Manufacturing Tax Credit, and more. Financing mechanisms like those offered through the California Infrastructure and Economic Development Bank (IBank) help small businesses get started. These investments are critical in a state where more than 96% of firms are small businesses.[7]

**Why it matters**

- Incentives can serve as a key tool in the governor's strategy for attracting and retaining quality, middle-skill jobs and shaping an economy for environmental sustainability priorities.
- Business tax credits give the state a direct lever of influence over business investment, expansion, and job creation. Existing incentive programs have proven great return[8] and are being leveraged in efforts to sustain critical industries in California.[9]
- Given the share of the economy that is made up of small businesses, investment in this infrastructure is critical for both the state's economic growth and economic mobility for Californians.



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## ENDNOTE

[1] California Jobs First, "Governor Newsom's Statewide Jobs First Investments Created More Than 61,000 Jobs, Trained More Than 142,000 Workers in 2025," press release, February 3, 2026, https://jobsfirst.ca.gov/governor-newsoms-statewide-jobs-first-investments-created-more-than-61000-jobs-trained-more-than-142000-workers-in-2025/.

[2] California Forward, "Regions-Up," accessed August 31, 2026, https://cafwd.org/regions-up/.

[3] Mark Baldassare et al., PPIC Statewide Survey: Californians and Their Economic Well-Being, Public Policy Institute of California, November 2025, https://www.ppic.org/publication/ppic-statewide-survey-californians-and-their-economic-well-being-november-2025/.

[4] Baldassare et al., PPIC Statewide Survey.

[5] California Jobs First, "Governor Newsom's Statewide Jobs First Investments Created More Than 61,000 Jobs, Trained More Than 142,000 Workers in 2025."

[6] California Air Resources Board, 2025 Annual Report to the Legislature on California Climate Investments Using Cap-and-Trade Auction Proceeds (Sacramento: California Air Resources Board, 2025), https://ww2.arb.ca.gov/sites/default/files/auction-proceeds/cci_annual_report_2025.pdf.

[7] Sean Cremin and Shannon McConville, "California's Businesses," Public Policy Institute of California, February 2026, https://www.ppic.org/publication/californias-businesses/.

[8] Office of Governor Gavin Newsom, "Governor Newsom Extends Business Incentive Program, Bolstering California's Nation-Leading Job Creation," July 13, 2026, https://www.gov.ca.gov/2026/07/13/governor-newsom-extends-business-incentive-program-bolstering-californias-nation-leading-job-creation/.

[9] Lindsey Holden and Daniel Miller, "Newsom, Lawmakers Strike Deal on Hollywood Tax Credit Fix," Politico Pro, August 28, 2026, https://subscriber.politicopro.com/article/2026/08/hollywood-tax-credit-agreement-01055823.

## RESOURCES

Governor's Office of Land Use and Climate Innovation
State General Plan Guidelines (GPG)
https://lci.ca.gov/planning/general-plan/guidelines/

Governor's Office of Business and Economic Development / Labor and Workforce Development Agency
California Jobs First
https://jobsfirst.ca.gov/

Governor's Office of Business and Economic Development
California Competes Tax Credit
https://business.ca.gov/california-competes-tax-credit/

Franchise Tax Board
California Research Credit
https://www.ftb.ca.gov/file/business/credits/california-research.html

California Film Commission
California Film and Television Tax Credit Program 4.0
https://film.ca.gov/tax-credit/

California Department of Tax and Fee Administration
Manufacturing and Research & Development Equipment Exemption
https://www.cdtfa.ca.gov/industry/manufacturing-and-research-and-development-equipment-exemption

Governor's Office of Business and Economic Development
California Infrastructure and Economic Development Bank (IBank)
https://ibank.ca.gov/

## ABOUT CAPITOL IMPACT

Capitol Impact is a social impact consulting firm that is dedicated to forging a better future for all Californians. To achieve this mission, the firm partners with visionary leaders across the social sector to advance practical solutions to California's most pressing challenges.

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