



BUILDING CALIFORNIA'S CLIMATE-SMART ECONOMY

A Governing Strategy for State Leaders

PUBLIC DRAFT, September 8, 2026

Matt Armsby, Executive Vice President, Resources Legacy Fund

Kate Gordon, Chief Executive Officer, CA FWD

Nuin-Tara Key, Chief Operating Officer, CA FWD

Alvaro Sanchez, Blueprints for Belonging Senior Fellow, Just Solutions Collaborative

Craig Segall, Senior Advisor, Federation of American Scientists



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The Opportunity

California's incoming governor and legislative class will inherit a state of contradictions. By some measures, Californians are thriving: we live in the world's fourth-largest economy, driving world-changing innovation and enormous wealth creation. Our air and water are far cleaner than a generation ago, and we've made significant progress toward ambitious decarbonization goals. California's leadership on these priorities has inspired movements and policymakers worldwide, and rightly so.

But underneath those achievements lies a harsher reality. One in three Californians lives paycheck to paycheck, and disparities between the state's wealthiest and least wealthy residents are extreme. Job growth has come mostly at the very top and very bottom, with few middle-skill jobs generating economic mobility. Many of the industries driving global prosperity have bypassed the workers and regions that need them most. Skyrocketing housing costs have put homeownership out of reach for most working families, while fuel and utility bills continue to rise. A single unexpected expense can push a family from stability into bankruptcy.

Meanwhile, the climate crisis deepens, amplifying risks not just for California families, but for the state's ability to protect and support its people and economy. Californians feel the economic impacts of climate change in the form of property damage, evacuation expenses, and rising energy bills and insurance premiums. These impacts ripple through the economy to strike state and local budgets, imperiling public resources not only for climate change mitigation, which remains imperative, but for fundamentals like healthcare, education, and public safety.

The energy transition is happening across the globe, driven by geopolitical and climate realities. But California lacks a strategy for moving beyond greenhouse gas regulations and consumer incentives to a whole-of-economy transition that works across regions, industries, and communities. To meet its climate goals, California needs to invest in economic strategies and industries that can survive and thrive in our economic and political environment, like batteries, clean steel, grid infrastructure, nature-based climate solutions, and wildfire-resilient housing construction. Affordability depends on people's ability to pay, so wages, assets, protection against catastrophic costs, and decision-making power matter. And durable climate solutions require political will and civic engagement, which must be built through shared prosperity and trust in collective action.

To succeed in the coming years, California should pivot from treating these challenges in isolation to remedying them in a systematic way. While defending and extending our world-leading public health and pollution-reduction programs, we should deliberately forge a clean energy economy that generates wealth and security for all Californians, better manages risk, and protects our ability to invest in the future. To achieve this vision, state leaders can better coordinate public institutions, align public and private investment, and improve decision making about what, where, and how we grow. Along the way, we can draw lessons from a rich record of successes and experiments – both at home and in peer states and economies – in promoting regional economic

development, clean energy adoption, adaptation and resilience, and social and environmental equity.

The time is ripe for California to make this pivot, and the consequences of getting it right are significant. The state needs a strong economic and industrial strategy to be competitive in the face of generational changes in the global economy and federal attacks on government's regulatory powers. And with the rise of anti-democratic movements at home and abroad, it's up to our state and local leaders to show how government can shift strategies, repurpose existing tools and develop new ones, and deliver better results – not just on climate, but on governing for broad public benefit in the 21st Century.

Over the last 18 months, we conducted public opinion research, hosted convenings across the state, and engaged one-on-one with diverse Californians including regional leaders, community and labor organizations, policymakers, and everyday residents. We heard that a broad constituency of Californians remains open to bold action, but needs proof that government can deliver, with concrete and timely results. They support efforts to create an economy that works for everyone: affordable costs of housing and healthcare, stable energy and insurance bills, greater job security, fewer catastrophic disasters, and restored confidence that the future will be better for their children and grandchildren.

California has an unprecedented opportunity to use the energy transition as the engine of a more inclusive economy: one where communities are partners in development rather than simply locations for it; where workers take part in the American Dream through family-supporting jobs in new clean industries; and where public and private investment align to catalyze lasting community wealth. Many Californians want to help make this opportunity a reality. In the pages that follow, we present a playbook for the new governor and other state leaders to start on this path.

It's time to get to work.

Guiding Principles

California has been here before. Since prospectors discovered gold at Sutter's Mill in 1848, a boom-and-adjust story has repeated with timber, oil, agriculture, defense, and, most recently, technology. By and large, those booms happened to the state instead of growing from deliberate plans, with state and local governments playing catch-up rather than intentionally cultivating new industry. Too often, communities were excluded from the benefits of growth because of race, gender, or location. And much of California's economic policy – and in more recent decades, its environmental policy – was designed to manage the harms of fast-growing industry after the fact.

This time, California has an opportunity to build deliberately. In conversations with leaders and experts across the state, we heard keen interest and excitement in the potential to write a new chapter in California's economic story. We also heard notes of caution that the state should not abandon its hard-won values. The following principles distill this feedback and should shape California's approach.

Build on successes; learn from experiments. California is rightly proud of its leadership in driving clean energy innovation, such as the zero-emissions vehicle market, which is now a cornerstone of the state's climate programs and investments. State leaders smartly invested COVID-era surplus funds in Jobs First and the K-16 Education Collaboratives to help California's regions rise together in a recovering economy. And through programs like Transformative Climate Communities, the state built capacity and invested in communities harmed or left behind by past development, so they could become active partners in building their climate future. These and many other programs have achieved positive results while teaching California much about the design of effective climate and economic development programs. California should maintain focus on their vision and goals, while updating them to work more efficiently and on a bigger scale to drive the results we need.

Promote investment and high-road employment in the “missing middle” of the economy. California invents clean technologies at a world-class level, but other states and countries manufacture and deploy most of them. California's government excels at setting climate goals and regulating pollution, but has done less to build supply chains, financing tools, and institutions that turn its goals into good jobs. The net result is growth of middle-class industrial employment outside California. California should cultivate more of those investments and their economic multipliers within its borders, with a focus on high-road jobs – those that pay at or above living wage, provide health and retirement benefits, create safe, fair, and predictable working conditions, and ensure durable benefits for workers and their communities. The upsides will include more opportunities to close the wealth gap, build a more diversified tax base, and replenish the well of political support for bold action.

Leverage regional strengths. California is not one economy; it is a family of interconnected regional economies. Silicon Valley's innovation economy, Kern County's geologic management prowess, the Inland Empire's logistics sector, and the North San Joaquin Valley's food and emerging bioeconomy are just a few examples. Each region contributes important assets and

capacities to the state's overall economic development, and each faces different pressures from climate change, automation, and geopolitical realignment. And each has had different experiments with state-led economic development and capacity building work. The state's climate and economic development programs should focus on weaving these regional differences into a coherent strategy.

Reduce fragmented governance. California has seeded climate, economic development, and related responsibilities across a broad array of public and private institutions. While this approach has promoted a shared sense of purpose in many parts of state government – an important goal – it has also diffused accountability for results in the lives of everyday Californians. Housing, energy, insurance, resilience, and economic development programs run in silos, so program partners and beneficiaries often struggle to assemble support. For example, a family could qualify for a rebate for solar panels, but not be able to afford a new roof for the panels sit on; investments in wildfire resilience don't yet translate to more stable household insurance premiums; and a region might receive workforce training resources for sectors that don't have a plan for sustainable growth. California should organize government to better align and coordinate its efforts before considering new rules or bureaucracy.

Invest in partnerships and civic capacity. A strong economy requires a healthy ecosystem of businesses, local governments, knowledge and workforce generators, and community institutions. These actors can all play key roles in developing solutions, attracting public and private investment, and holding each other (and state government) accountable for beneficial outcomes. But with federal funding for clean energy and resilient infrastructure in disarray, and state resources that can be hard to access, many parts of this ecosystem are currently struggling. Strengthening it, and showcasing the benefits that can accrue to communities, will bear dividends in the form of greater trust, faster progress, and more durable support.

Emphasize better delivery while protecting people and the environment. Californians hunger for an economy and government that deliver shared prosperity; they also value and defend strong public health, labor, and environmental protections. The economic benefits of clean air, clean water, thriving ecosystems, and healthy communities are large and quantifiable, and the state has only recently begun ensuring they reach all Californians equitably. The state should keep raising its standards rather than dismantling hard-won protections in a rush to welcome a new era of abundance. At the same time, California can and should be more purposeful about deciding what gets built, where, and how in the clean economy – and improve regulation and permitting to help deliver the outcomes Californians expect, faster and more reliably. Strong protection and better decisions are compatible goals.

Vision of Success

Over the next four years, California makes a strategic shift that accelerates its progress toward building a clean energy economy while ensuring greater prosperity for all Californians. Adding to ambitious goals and smart regulatory strategy, the state increases its emphasis on creating strong investment and market conditions, enhancing climate resilience in public budgets, and promoting civic engagement in support of a clean economy, creating a virtuous cycle that rewards climate-smart growth with more resources and a renewed and expanded constituency for bold action. Californians experience the benefits of this approach through visible results like the following:

- Clean energy and climate resilience projects are approved and completed on faster timelines, reducing costs and generating tangible community benefits for health, education, economic resilience, and the environment.
- Increased public and private investment in manufacturing and deployment positions California as not only an innovator, but a competitive builder of the global clean energy economy.
- More Californians are employed in high-road jobs in with family-supporting wages.
- Risks from wildfire, flood, drought, and extreme heat are better managed to stabilize utility bills, insurance premiums, and other costs of living.
- Continued improvements in air and water quality, public health, and conservation of natural systems enable all Californians to celebrate an economy that is cleaner than the legacy fossil fuel economy.
- State and local budgets are more resilient to the fiscal impacts of climate change, with more resources available for climate-smart economic development and other public goods and services.
- The state's wealth gaps begin to narrow.

To track delivery of these results, the Governor launches a public dashboard to track delivery, and updates it regularly in public communications, turning this agenda into a shared commitment to invest in the state's success.

Four Goals for State Leadership

Four goals anchor this vision: good jobs and affordability in every region, acceleration of progress through public finance, better-managed climate risk, and stronger government accountability and civic infrastructure to bolster public support.

Goal 1: Build a climate-smart economic development engine that delivers good jobs and affordability in every region

CURRENT STATE

California needs a stronger system for ensuring its diverse economic base and ambitious climate agenda generate durable benefits in a changing global landscape. The state has invested more than \$1.4 billion in regional economic development over the past seven years, through California Jobs First, K-16 Education Collaboratives, Regional Climate Collaboratives, and Regional Early Action Planning grants, but none of it carries ongoing funding or a permanent institutional home. Every four to eight years, the state effectively rebuilds its economic development and regional planning capacity from scratch. California invents clean technologies at a world-class level, but other states and countries manufacture and deploy most of them, and companies regularly site clean manufacturing outside California because of permitting delays, uncertain power access, and fragmented infrastructure support. And when major energy and industrial projects move forward with the support of government, communities hosting them too often see little of the resulting economic upside.

THEORY OF CHANGE

A more durable and integrated regional economic development structure, paired with proactive industrial recruitment, ready clean industrial sites, and binding community benefit expectations, will transform California's existing regional assets and climate goals into good jobs that stay in the state. When workers and communities see a direct, reliable stake in projects the state supports, public backing for the broader clean economy agenda will grow instead of eroding project by project, and Californians will gain the economic mobility necessary to become clean energy consumers and advocates.

STRATEGIES

Create a durable state-regional economic development structure

Elevate GO-Biz and the IBank's economic development functions into a permanent cabinet-level agency with more durable staff, functions, and budget, including Regional Economic Navigators for each of the state's 13 economic regions, as identified by California Jobs First. Leverage strong regional collaboratives to drive consistent regional plans and implementation strategies from the ground up, while providing data, technical assistance, and streamlined funding from the state down – all organized to support a clearly-defined climate-smart industrial policy.

Identify strategic climate-smart industries for state policy alignment and investment

Direct the economic development agency to name an initial slate of target sectors for state investment and inter-agency alignment, guided by work already done through the California Jobs First regional plans and informed by sector-specific industrial roadmaps. As part of this process, determine where California's natural resources, geography, workforce, consumer market, and other assets give it a genuine competitive edge in the clean energy economy. Strong initial candidates at the intersection of the state's economic and climate goals include the circular bioeconomy, the battery supply chain, and geothermal development.

Create an Energy Transition Office to develop and drive climate-aligned industrial policy

Establish the Office within the new economic development agency, and direct it to recruit clean manufacturing and build out supply chains across California in alignment with the state's strategic industry targets (see previous bullet). Direct the Office to coordinate with the state's labor and workforce agency to support workers in declining energy industries as they transition to new trades and industries. The Office should go beyond theory to implementation, channeling state attention and resources toward projects that meet strong labor and community standards, so recruitment operates as a race to the top rather than a first-come, first-served window. The Office should help target companies navigate permitting, secure industrial land, coordinate infrastructure development, secure financing, and access displaced worker support and new training dollars.

Designate Clean Industrial Zones for aligned manufacturing

Building on existing regional strategies and working closely with communities, designate a first cohort of Clean Industrial Zones where power, permits, public health safeguards, and community governance are ready before companies seek to build, giving the Energy Transition Office's recruitment work a place to land. Instead of negotiating site readiness deal by deal, companies choose among locations where the groundwork is already done. Select each zone against a five-part checklist (power, permits, property, workforce, and state partnership) and require community- and local-government-led collaborative governance so tangible benefits are built into every eligible project.

Require community benefits for publicly funded and financed projects

These recommendations will spur thousands of new energy projects, adding to many already in the queue in California: solar farms, wind installations, bioeconomy innovation campuses, battery storage, offshore wind infrastructure, manufacturing plants, geothermal, and critical-mineral mining. Research shows that projects including tangible community and worker benefits are built faster, better, and with less litigation risk. Require that when state investment, financing, or permitting prioritization helps a major energy or industrial project move forward, the community hosting it and workers building and operating it see concrete, demonstrable benefits. Build community and worker benefits into publicly-supported projects through a clear set of baseline guardrails, with communities then able to negotiate for additional place- and project-based benefits with developers.

PRECEDENTS

Most of California's peer states and countries, including Germany, Ireland, and South Korea, treat regional industrial development as a permanent government function rather than a time-limited

pilot. Colorado's Office of Just Transition goes a step further by leaning into the reality of the economy-wide transition that is necessary when a fossil energy-producing state takes climate change seriously. And Georgia's and Michigan's cross-agency coordination—combining industry incentives, workforce supports, and major infrastructure investments—drove the bulk of U.S. clean-manufacturing investment announcements between 2022 and 2024. At the federal level, there is precedent for supporting high-road economic development, with community and worker benefit approaches driven by the Department of Energy's Community Benefit Plans attached to federal infrastructure dollars.

Goal 2: Accelerate progress through public finance

The regional economic structure, industrial roadmaps, and Clean Industrial Zones described under Goal 1 can only reach full scale once state capital and infrastructure spending point in the same direction. Goal 2 covers the financial tools that make that possible.

CURRENT STATE

California's climate spending lacks the urgency and scale needed to tackle the problem – a challenge compounded by continued investment in systems that work against broader climate and economic goals. State climate spending still runs mostly through one-time grants and consumer rebates. For example, California has roughly 25 million registered cars; at \$50,000 for a new electric vehicle, full fleet turnover is a \$1.2 trillion problem, against a cap-and-invest program that has generated just over \$31 billion in its entire lifetime, less than 3 percent of what transportation electrification alone requires. The state's 15 million housing units tell the same story for heat pumps and electrification retrofits. These transition costs are often driven higher by concentrated and inefficient markets that misalign corporate incentives with needed changes in the energy system. Meanwhile, the state continues to spend billions on highway expansion and the natural gas system in ways that work against its climate and economic goals, rather than swiftly moving capital towards the infrastructure needed to unlock change and save public funds.

THEORY OF CHANGE

California can use public funds and market oversight to realign the private economy in ways that systematically lower the costs of new technologies and encourage greater scale in their production and use. Shifting state capital from one-time rebates toward loans, guarantees, consumer financial products, and infrastructure realignment will leverage public dollars to build whole industries and reach far more households per dollar, while still preserving grants where credit access is the binding constraint. This capital shift should be paired with government capacity to devise financial products for key markets and industries, and oversight to address concentration that can drive up prices.

STRATEGIES

Realign consumer incentive spending to emphasize financing over rebates

Direct every agency running a major climate incentive program, including CARB's vehicle programs, the CEC's building and industry incentives, and general economic development

programs, to review spending against the state's economic development and climate strategy, identifying where funds that currently go to consumer rebates could be reallocated to scale manufacturing and supply chains instead. Shift remaining consumer-facing programs from grants to loans and tools like residual value guarantees, which let private lenders finance clean equipment at scale while public dollars de-risk the deal. Preserve grants specifically for Californians with limited credit access.

Expand the Climate Catalyst Fund to cover more sectors and promote onshoring

Expand the IBank's Climate Catalyst Fund into a multi-sector revolving loan program, modeled after the federal Loans Program Office, that drives strategic economy-wide investments and supports firms that can compete on price and quality while contributing to long-term economic development. Capitalize the expansion with \$300 million to \$500 million of Greenhouse Gas Reduction Fund and General Fund resources; engage the state's climate and economic development agencies in determining eligibility for Fund investment. Finance businesses that bring home manufacturing know-how developed in California, but previously scaled up elsewhere. Wherever possible, structure investments to ensure California shares in the upsides as company value grows. California's constitution limits the state from taking direct equity stakes, though CalPERS co-investment and profit-sharing loan terms offer workable paths to a similar result. Fund investments can also be conditioned on community benefit-sharing and ownership arrangements at the regional and local levels.

Use regulatory tools to promote price transparency and competition

Establish a new Clean Markets Oversight Group within the Attorney General's Office, modeled on the state's 2023 oil-market oversight team, to monitor concentrated markets like clean truck manufacturing and utilities. The Group should exercise oversight as needed, and propose needed policy changes, to ensure public investments translate into price transparency and lower consumer costs rather than higher margins for a few dominant firms.

Align infrastructure spending with climate and economic development goals

Redirect more than \$40 billion in annual infrastructure spending to align with the state's climate goals and enable scaled investment. Start by ensuring transportation spending promotes emissions reduction and housing objectives by emphasizing transit and other mobility investments rather than highway expansion. Direct the Public Utilities Commission to set a clear end date for the gas transmission and distribution system and shift spending toward build-out of the electrical grid, confirming that a utility can meet its obligation to serve homes with power using electricity alone. And ensure all state infrastructure spending accounts for the full lifecycle costs of reducing and mitigating fire, flood, heat, and other climate risks.

PRECEDENTS

The federal Loans Program Office has transformed entire industries using a strategic financing model, and California's existing Catalyst Fund has already shown it can work at a smaller scale. California has onshored competition before: Toyota's NUMMI partnership with GM in Fremont later became the Tesla factory, and BYD already builds electric buses in a union plant in Lancaster today. The state's own investment in stem cell research supercharged an entire biotech industry, and its early support for Tesla helped create one of the most valuable companies in the world.

Goal 3: Invest in resilience to strengthen economic security and protect public budgets

CURRENT STATE

California's growing climate risks—including wildfire, drought, flood, sea level rise, and extreme heat—have outpaced the state's shift from planning to action. These risks strain natural systems, public health, agriculture, education, and the broader economy. They also exacerbate extreme events, forcing households, businesses, and governments to spend on rebuilding rather than investing in the future. Unmanaged climate risk also destabilizes private loss-recovery systems, deepening this precarity. For example, wildfire risk has pushed many conventional insurers out of California, swelling enrollment in the FAIR Plan—now covering over \$760 billion in exposure that remaining insurers must help backstop—and fueling a vicious cycle of shrinking coverage and rising premiums. As one Stanford study observed, instability in the insurance market has potential to undermine “mortgage availability, property values, and the financial stability of homeowners.” Income and property value losses will further erode state and local tax revenues, hurting public capacity to invest in priorities like education, public health, and the clean energy transition. The state has taken some initial steps to bolster resilience, such as CDI's Sustainable Insurance Strategy, but wildfire is just one piece of a broader economic case for adaptation investment. California's adaptation programs, though supported by the Newsom Administration, still lack the coordination and sustained funding to drive toward outcomes.

THEORY OF CHANGE

A shift toward sustained investment in climate adaptation and resilience will protect California households, businesses, infrastructure, and overall economy from higher costs and lost productivity. It will also help stabilize and protect public budgets, with benefits for the clean energy transition, healthcare, infrastructure, and other state priorities. Strengthened governance, a stable insurance market, and protected public funding for resilience are all essential components of this shift.

STRATEGIES

Establish an Office of Climate Risk Management

Create an Office of Climate Risk Management (OCRM) within the Governor's Office to lead and support assessment and management of climate-related risk – including risk to vulnerable populations – across state government. To avoid duplication and ensure government efficiency, move the Integrated Climate Adaptation and Resiliency Program (ICARP, currently under LCI), Climate Change Assessments, Adaptation Clearinghouse, State Adaptation Strategy, and Climate Services functions into this new office. Provide OCRM with resources and capacity to align local planning guidance and assistance across the Governor's Office of Land Use and Climate Innovation (LCI), coastal management agencies, CalFire, OES, and other agencies with pertinent authority and funding. Direct OCRM, working in concert with the Department of Finance, Treasurer's Office, and other agencies, to publish guidance for climate risk assessment and accounting across state government; integration and management of climate risk in state capital

planning, investment, and local assistance programs; and alignment of state funding and financing tools to address climate risk. OCRM should also partner with the Department of Housing and Community Development and other agencies to invest in building standards that reduce risk in the built environment. The head of OCRM should have a standing advisory seat on state committees for bond issuance and debt limit allocation to help advance these objectives.

Work with the Insurance Commissioner and Legislature to stabilize the insurance market

CDI's Sustainable Insurance Strategy seeks to bring conventional insurers back into the market and reduce reliance on the FAIR Plan by, among other changes, allowing insurers to underwrite policies and set premium rates that better reflect their exposure to wildfire risk. The SIS also seeks to make CDI more efficient in reviewing and approving rates. Work with the Insurance Commissioner and Legislature to codify these changes and ensure continued improvement to promote resilience, efficiency, and competition in the insurance market. Reform the FAIR Plan by ensuring coverage and premiums better reflect actuarial risk, which will reduce its vulnerability while helping to shift homeowners back toward conventional insurers. Explore improved tools and options for incentivizing home hardening and other resilience measures. And use CDI's market oversight and rate-setting powers to promote transparency and affordability for consumers.

Develop and protect dedicated revenue for resilience investments

If approved by California voters on the November 2026 ballot, Proposition 2 will significantly increase the allowable size of the state's Rainy Day Fund and require additional savings during fiscal surplus years. Should it pass, direct the Department of Finance (DOF) to work with the Legislature on budget rules that shield multi-year resilience appropriations from mid-cycle cuts, mirroring the protections currently afforded to education funding. Also direct DOF to assess options for reducing the budget's reliance on volatile capital-gains taxes. Work with DOF, OCRM, and the Legislature to establish a dedicated, durable revenue source for programs that reduce climate-related risk to communities and the economy, including (for example) community wildfire resilience and home hardening, drought-resilient water supplies and agricultural practices, critical infrastructure upgrades, and extreme heat mitigation. Because local governments also need funding solutions, work with the Legislature to clarify their ability to establish climate resilience districts, enhanced infrastructure financing districts, and other tools for raising dedicated local revenue. Ensure access to these funds is sufficiently flexible to support planning, public engagement, and other costs that are often critical to the success of public investment, but hard to support with bond funds, for example.

PRECEDENTS

Building standards and home hardening grant programs in states like Louisiana and North Carolina have reduced homeowners insurance premiums and claims, indicating that subsidizing risk reduction can help stabilize a state's insurance market. Cross-agency economic transition offices in Colorado and New Mexico's have shown how integrated governance with a clear mandate can drive faster, more equitable implementation than an agency-by-agency approach. New York's has moved furthest among U.S. states in integrating climate risk into fiscal planning and regulation. Its Department of Financial Services requires state-regulated banking and mortgage institutions to incorporate climate risk into their governance, risk management, and business strategies, and the

state's pension fund has taken a leading role in factoring climate risk into its investment and proxy voting decisions..

Goal 4: Strengthen government accountability and civic infrastructure to bolster public support

CURRENT STATE

California's existing policy and governance framework anticipates that climate and economic development programs will effectively drive progress toward state goals, and that their benefits will accrue both to communities where projects are located, and to the state economy as a whole. They can and should. But California lacks an institution for ensuring those programs are aligned toward transparent metrics of success, effectively coordinated, and publicly accountable for delivery. Without such an institution, the state can miss opportunities to ensure the intended outcomes materialize on time and as promised, and are well communicated to the public.

Healthy civic infrastructure – the network of businesses, local and tribal governments, community groups, unions, and trusted intermediaries – also influences whether public programs translate into outcomes that communities welcome and celebrate. Federal programs created under the Infrastructure Investment and Jobs Act, Inflation Reduction Act, and CHIPS and Science Act showed that flexible resources for cross-sector engagement, technical assistance, and meaningful inclusion in decision-making can strengthen community support for ambitious economic development projects and investments. Unfortunately, much of the anticipated federal investment in capacity-building has not reached California. Meanwhile, the state's homegrown capacity-building programs – such as Regional Climate Collaboratives, Community Assistance for Climate Equity, and BOOST – are unpredictably funded, over-subscribed, and overextended, despite their inspired origins. As a result, there is uneven public investment in civic infrastructure that could help shape and advance the state's climate and economic development goals.

THEORY OF CHANGE

Government accountability and strong civic infrastructure are essential for timely delivery of climate and economic development investments. For a governor committed to closing the wealth gap and building resilience, investing in accountability and civic infrastructure is as important as direct spending on solar, transit, or housing. They will make the difference between an agenda that perceived as done "to" people and one that is built with them. Over time, they are necessary for California to respond to – and continually renew – a public constituency for ambitious action. Without that constituency, projects feel imposed rather than co-created, approvals stall, backlash grows, and legislative support wanes. With it, Californians play active roles in building a more prosperous society.

STRATEGIES

Build a cross-sectoral coordination and reporting function at the Strategic Growth Council

The Strategic Growth Council, made up of seven agency secretaries plus three public members, was created in 2008 to “coordinate state agency activities so they assist and support the planning and development of sustainable communities which strengthen the economy, ensure social equity, and enhance environmental stewardship.” The Council was also envisioned to help guide and oversee state infrastructure investments. But it has increasingly become a grant implementation entity, creating guidelines for specific programs like Affordable Housing and Sustainable Communities (AHSC) rather than providing cross-agency coordination and program integration. Given the inherently cross-cutting nature of both climate and economic challenges and opportunities, now is the time to return to SGC’s roots and establish the Council as a key place to take stock of current programs and their impact (working with the new OCRM, for example); better align infrastructure and other funding toward state goals; and identify needs and provide technical assistance to support program implementation. Doing this effectively requires legislation to add California’s economic development and labor and workforce leads to the Council – and dedicated budget and staffing to promote alignment and implementation among the Council’s constituent agencies. It also requires strong Governor direction to elevate the Council as a home for civic engagement on how state goals are playing out on the ground.

Reorganize capacity-building programs via the Strategic Growth Council

Direct the Strategic Growth Council to establish a civic infrastructure initiative that aligns the state’s capacity-building programs in support of climate and economic development goals. Harmonize and streamline processes for awarding capacity-building grants (including advance payments for eligible entities) and providing direct technical assistance. Develop and maintain a library of tools such as project development roadmaps and community benefit agreement templates, and commission evaluation and learning projects to identify and share best practices across regions. Provide stable, dedicated funding for SGC to do this work, and direct climate, transportation, and housing agencies to allocate 5 to 10 percent of local assistance and other grant funds for technical assistance, training, project pre-development, and community engagement programs.

PRECEDENTS

A review of federal investments made pursuant to the Infrastructure Investment and Jobs Act, Inflation Reduction Act, and CHIPS and Science Act found that “embedd[ing] workforce, equity, and community considerations into project design and implementation... created structured pathways for navigating trade-offs among speed, standards, workforce capacity, and community acceptance—often reducing implementation risk rather than increasing it.” California’s Transformative Climate Communities (TCC) program supports community-led design and implementation of projects that link state goals and community priorities, with requirements for community engagement, workforce development, and displacement avoidance. For example, TCC investment in the Watts Rising project aligned more than 40 public agencies and community organizations to secure \$128 million in state and federal funding. California’s Racial Equity Commission and the Government of Scotland have also advanced proposals for building civic infrastructure around public investment. A recent report from Greenlining Institute and Urban Sustainability Directors Network provides additional examples and guidance for building community engagement, trust, and benefits around major public investment.

Organize state government to drive delivery

The proposals in this playbook are fundamentally about ensuring Californians get the government they deserve – and experience visible, tangible benefits as a result. California’s government, with multiple independently elected officials, is notoriously hard to organize around shared priorities. State leaders will need to align on goals – and then organize government for clarity of mission, timely and effective delivery of results, and avoidance of new bureaucracy. Here we outline an approach for getting started.

After the election

The incoming Governor, other statewide elected officials, and legislative leaders should use the transition to organize a sprint to provide the shared prosperity Californians deserve. We recommend a pre-inauguration convening, or set of convenings, to align on goals, develop policy and budget proposals, and engage civil society leaders. Accelerating appointment work and vetting, to ensure senior officials can be appointed within the first weeks of the administration, will also be critical. Planned appointments should include a Cabinet-level leader to drive the work articulated here.

On January 4

The Governor, informed by the pre-inauguration work proposed above, should promulgate a Day One Executive Order (or Orders) on Advancing Shared Prosperity for All Californians, immediately establishing the core priorities and the organizational structures needed to deliver. That Order should operationalize the goals and strategies in this playbook, and include at least the following general actions:

- **Articulate shared prosperity goals.** Establish, as the policy of the administration, that the state will advance a climate-smart economy in which prosperity will be broadly shared, rooted in (1) equitable growth of clean industries in which it has a comparative advantage, and (2) reduction of California’s climate and fiscal risks to promote greater stability. **Direct the Strategic Growth Council to develop and publish cross-cutting metrics** for assessing the state’s progress toward these goals and communicating with the public.
- **Create a durable cabinet-level climate-smart economic development structure**, aligned with the state’s climate and energy transition goals, either through an expansion and elevation of GOBiz/IBank, or through expansion of the newly created Business and Consumer Services Agency to include economic development functions including those currently housed at GOBiz, IBank, and across several other agencies and departments. Charge the new entity with the functions laid out in Goals 1 and 2 of this playbook, including creation of an Office of Energy Transition and Regional Economic Councils. Add the new entity, along with the California Labor and Workforce Development agency, to the Strategic Growth Council. Identify the leader of this entity as a member of the Governor’s cabinet.

- **Launch a “Get It Built” Initiative that commits the administration to delivering 10 to 15 climate-smart, community-led, wealth-building projects within 48 months.** Within the first 90 days, identify an initial slate of clean energy, clean manufacturing, and climate resilience projects, selected for readiness, geographic and demographic diversity, community benefits, and place-based governance. Assign the leader of the new economic development entity to coordinate across agencies, align state attention and resources toward delivering each project on time, and set up a public dashboard for public tracking of progress.
- **Create an Office of Climate Risk Management** and direct it to begin work on resilience funding and financing tools, including Rainy Day Fund reforms, the State Adaptation Strategy, expanded authorization of Climate Resilience Districts, and identification of potential new revenues for resilience.
- **Direct state agencies to embed community-led wealth-building benefits** in all planning and approvals for publicly funded and financed projects.
- **Direct the Strategic Council to establish a civic infrastructure initiative,** starting with evaluation of the state’s existing technical assistance and capacity-building programs and their alignment with the shared prosperity goals.

The Executive Order should set a 90-day deadline for development of reports, reorganization plans, and legislative proposals needed to embed these initial changes in state law.

By June 2027

The Governor and Legislature should align on policy and budget priorities, consistent with information gathered through the Executive Order process, to ensure effective delivery over the long term. First-year objectives should include any needed reorganization of agency programs, budgets, and staffing; and alignment of existing spending from the Treasurer, I-Bank, and major Cap-and-Invest programs with the state’s shared prosperity goals. This process will be iterative. Year one goals should be to deliver the core budgeting – especially durable revenue streams – needed to enable ongoing implementation.

By January 2028

The Governor should include a Year 1 progress report to the Legislature alongside the January 10 budget proposal, and update the public through the State of the State address and other public appearances, to help sustain the constituency and momentum needed for the rest of the term.

Build strong partnerships to go farther, faster

California's Climate-Smart Economy agenda is ambitious by design. It requires not just new policies, but new systems and relationships: aligned state and local action, coordinated public and private investments, an ecosystem of leaders with capacity to engage on behalf of their communities and California as a whole, and sustained political will. Government cannot do this alone; fortunately, many Californians are eager to roll up their sleeves and support a new way of doing business.

The private sector has a huge co-leadership role to play through innovation and investment within California. By treating the clean energy transition as an opportunity to build shared prosperity, and using each project as a tangible opportunity to advance that vision, elected and business leaders can collaboratively deliver the economy that Californians want, and will reward. State leaders should recognize private-sector leaders who proactively partner in this collaboration, while taking credit for creating the enabling conditions and making the public investments that deliver for Californians.

There is also an essential role for civil society, including labor organizations, research institutions, community groups, advocates, and many others. The Civic Infrastructure Initiative described under Goal 4 of this playbook is a strategy for using public resources to nourish a civil society ecosystem that can advance public goals, specifically through capacity building and technical assistance. State leaders can engage partners in additional ways, starting by asking for help accelerating some of the technical and program development work envisioned in this playbook. We have seen opportunities for partners to develop proposals for, e.g.:

- Cross-cutting metrics and tracking tools to assess the state's progress toward shared prosperity goals.
- Alignment and permitting frameworks for development in Clean Industrial Zones.
- Fiscal rules for protecting state resilience investments during budget downturns.
- Options for new sources of revenue for those investments.
- Development of a pragmatic framework for assessing and managing climate risk in state capital planning.

State leaders can also ask partners to help build relationships with and among communities of interest through convenings, information sharing, and technical assistance – and grow a broader constituency that understands the need for durable programs and funding to invest in a stronger economy and manage climate risks.

Philanthropy can play a strategic partnership role by funding technical, civic, and financial infrastructure that enables all of these other partners to contribute. California's great wealth has helped create a flourishing network of private foundations, community foundations, corporate philanthropies, and family offices that enthusiastically support climate action, economic development, and social equity. Their resources, if well organized, can help advance California's Climate-Smart Economy at least three ways:

- Directly support state action through targeted research, pilot projects, and provision of expertise to supplement the state’s own capacity. State leaders can channel philanthropic support for such work through a mix of tailored public-private partnerships, existing state-chartered nonprofits, and California’s universities, while keeping public officials in charge of decisions and accountable for outcomes.
- Support communities of interest to engage effectively in public processes and decisions. Community benefit agreements, Clean Industrial Zone governance, and Regional Economic Councils are only as strong as the communities that participate in them. Philanthropy can fund the technical assistance and participation costs that enable communities, especially those facing economic transition, to show up with real capacity.
- Expand financial resources for aligned private sector activity through tools such as program- and mission-related investments, for-profit impact investing, and loans that complement the use of public capital. Philanthropy can fund technology development, scale-up costs, and deployment strategies that help attract private-sector investment.

The incoming administration should identify a point person for engaging philanthropy and civil society through aligned initiatives that elevate California as a model for how philanthropic and public resources can work together to shape a more prosperous future.

PRECEDENTS

The Parks Forward Initiative, a public-private partnership led by an independent, state-appointed commission, secured philanthropic support for development of a new vision, long-term plan, and transformation program for a sustainable State Park System. The Legislature chartered the California Council on Science and Technology, California Ocean Science Trust, and Parks California to activate a mix of public and philanthropic support for scientific advice, technical services, and capacity building in support of state priorities. Academic institutions such as the UC Labor Center Network, UC Berkeley’s Center on Law, Energy, and Environment, and UCLA’s Luskin Center for Innovation are just a few nodes of research and policy development that have attracted significant philanthropic support.

Conclusion

California’s incoming leaders don’t have to build a climate-smart economy from scratch — they inherit a foundation stronger than most states and countries, and most moments in the state’s own history, have created. Decades of climate leadership, a world-class innovation economy, and hard-won lessons from programs like Jobs First and Transformative Climate Communities give the next governor and legislature a running start. Ambition is a critical ingredient, as is a deliberate, cross-cutting strategy to align economic development with public finance, resilience investment, and inclusive civic infrastructure. That alignment is squarely within reach of leaders willing to govern with the same discipline and creativity that got California this far.

The stakes of getting this right extend beyond any single administration. Californians will support efforts to convert the state’s wealth and innovation into affordability, security, and trust in their daily lives — and they are still willing to back bold climate action if it delivers those results. Meeting that test means treating shared prosperity not as a byproduct of climate leadership but as its purpose: an energy transition that lowers costs, creates durable jobs in every region, and protects families and public budgets from escalating climate risk. Done well, and done in the spirit of transparency and partnership that this moment demands, California can once again show the nation and the world that a state can act on its values and produce a stronger, fairer economy in the process. The tools are assembled. What remains is the will to use them.

Acknowledgments

Our gratitude to Demi Espinoza, RLF Program Officer, for project management and support of this project’s extensive community outreach; and to Tim Raphael for strategic advice and writing support.

We used AI to assist with editing and proofreading our work.

Appendices

Methodology

The Climate-Smart Economy Initiative, co-sponsored by Resources Legacy Fund and California Forward, is grounded in evidence, vetted with practitioners and leaders from around the state, and structured for implementation by state leadership with support from a robust constituency.

We conducted an 18-month process to combine expert policy research and development, statewide public opinion research, dozens of meetings and listening sessions, and engagement with community leaders. Each phase of research and feedback directly shaped the next, starting with our initial statement of case in mid-2025 and continuing through articulation of the vision, principles, goals, and strategies laid out in the Climate Smart Economy Playbook.

Expert policy research and development

We are fortunate to be part of a vibrant network of researchers and practitioners who are deeply committed to helping solve California's (and the country's) climate, economic, and governing challenges. Throughout this initiative, we have been in active dialogue with pragmatic leaders in industrial policy, regional economic development, manufacturing, community benefits, climate resilience, public finance, and civic infrastructure, to name just a few of the fields that California leaders should weave together in service of the state's long-term success. Accordingly, the Playbook highlights many proposals developed through collaborations and parallel efforts, in addition to those we have developed within our own organizations. We offer ample credit to other experts and leaders, and will continue to do so, noting that many are already involved in shaping California's future and eager to keep contributing.

Public engagement

Starting in early 2025, we shared our ideas and sought input from hundreds of leaders in California's business, government, and civil society networks. We spoke with leaders in local government, tribal governments, regional transportation agencies, industry, educational institutions, nonprofits and community-based organizations, economic and workforce development groups, and philanthropies, among others. Formats included roundtables, community salons, site visits, webinars, and surveys. We proceeded in two main workstreams.

First, through its "Regions Up" initiative, California Forward convened a series of conversations about creation of a durable economic development model that reflects the state's regional assets and networks. The conversations included in-person roundtables and larger events in Redding, Sacramento, Oakland, Fresno, Bakersfield, and Long Beach. California Forward also used a statewide survey to gather input from organizations that could not participate in person. This engagement shaped California Forward's "Regions Up" playbook and supporting materials, as well as key elements of the Climate Smart Economy playbook.

Second, Alvaro Sanchez and RLF's Demi Espinoza engaged in a parallel set of conversations – through community salons, site visits, and webinars – to test the Initiative's core rationale and framing against on-the-ground realities. This workstream included regional listening tours in

Northern California, the Bay Area, Central Valley, Central Coast, Los Angeles, San Diego, and Inland Empire.

We summarize the input received through these listening sessions in a pair of blog posts: one for the Regions Up Initiative, and a second for the Climate Smart Economy Initiative.

Additional workstreams of expert and stakeholder engagement included CA FWD's and RLF's collaboration with Pacific Forest Trust to convene leaders from California's utilities, insurance industry, state and local governments, and nonprofits to develop a wildfire resilience playbook for the next administration ; CA FWD's Adaptation Finance Workgroup, co-convened with Insurance for Good, and Industry Advisory Group; Alvaro Sanchez's collaboration with Greenlining Institute and Urban Sustainability Directors Network on the *Blueprints for Change* civic infrastructure initiative; and Craig Segall's collaborations with the Federation of American Scientists, the UC Berkeley Center on Law, Energy, and Environment, and UCLA's Emmett Institute on Climate Change & the Environment on transportation and industrial policy, to name just a few.

Statewide public opinion research

Statewide polling shows Californians want an economy that works for everyone — and that's the primary measure by which they'll judge whether government is delivering. To make sure the Playbook meets that standard, the Climate Smart Economy Initiative commissioned two rounds of public opinion research from Global Strategy Group:

- GSG conducted **four online focus groups** among registered California voters on January 15 and 20, 2026, with groups convened in the Bay Area, the Inland Empire, Los Angeles County, and the Central Valley.
- GSG conducted a **statewide poll** of 1,003 registered California voters between March 31 and April 7, 2026. The margin of error at the 95% confidence level is +/-3.1%; the margin of error on sub-samples is greater.

This research helped shape the substance of the Playbook's recommendations and the language used to communicate them, helping ensure the Playbook – and state leaders who consider adopting it – speaks to the concerns Californians raise unprompted, not the concerns policy experts assume they have.

Stakeholder and expert review

We circulated drafts of the Playbook to community leaders, advocates, current and former public officials, and policy experts for structured review. Reviewers assessed the document's clarity, persuasiveness, and feasibility. This review combined structured survey feedback with detailed written comments and line edits, producing specific, often pointed critiques which we have endeavored to address in each round of writing.

How input shaped the playbook

Every phase of this process was treated as a direct input into revision, not a formality layered on top of a finished document. Three examples illustrate how input shaped the final product:

- Reviewers found an early “governing power” concept underdeveloped and hard to operationalize. Revisions reframed and sharpened that idea as civic infrastructure, now named explicitly as an essential ingredient in California’s success, and one that warrants investment along those in solar, transit, and housing projects.
- Reviewers pressed for the Playbook to reckon directly with California’s budget instability. In response, we sharpened our articulation of the importance of dedicated climate resilience funding to protect resources for climate change mitigation and a host of other public goods and services.
- Reviewers called for greater recognition of the fact that state government is just one player in California’s economy. In response, we have more clearly articulated the potential contributions of local government, the private sector, civic organizations, and philanthropy.

Not every recommendation could be incorporated, and some feedback points to open questions the Climate Smart Economy Initiative – and, more importantly, state leaders – will continue to weigh. Reviewers flagged, for instance, that early language about “closing gaps in median household net worth” overstated what the Playbook’s tools could plausibly deliver on their own and in the near term. Our core argument is that integrated climate and economic development policy provides one set of tools – significantly under-appreciated and under-powered to date – for the state to deploy in tackling this challenge. Accordingly, we have kept similar language in the final draft, and anticipate California will continue to grapple with a genuine tension between long-horizon ambition and near-term credibility. Reviewers also placed different emphasis on various components (for example, how central a role community organizations should play in governance, and how much weight to give new forms of ownership relative to community benefit agreements), and the Playbook reflects a considered judgment among competing, good-faith perspectives rather than unanimous agreement.

In every case, input was read, discussed, and weighed seriously; where an idea was not adopted, that reflects a considered choice about the Playbook’s overall coherence and feasibility, not an oversight.

Regional Snapshots

California's 13 economic regions face distinct challenges and opportunities that shape how these goals apply locally. Nine examples illustrate the range:

Northern California / North State: forestry, timber, and bioeconomy feedstocks (woody biomass for wildfire mitigation); rural workforce transition; significant community-benefit opportunities in renewable energy siting.

Sacramento region: state government, healthcare, and a growing clean-tech hub; bioeconomy manufacturing opportunity near feedstock regions.

San Joaquin Valley: agriculture, food processing, and bioeconomy feedstocks (almond hulls, rice straw, orchard prunings); significant California Jobs First investment; the BEAM Circular project in Stanislaus County as an early precedent.

Bay Area: innovation hub and battery company cluster (Sila, Lyten, Antora); high costs limit manufacturing siting but the region remains critical for research and corporate headquarters.

Central Coast: agriculture, tourism, and offshore wind opportunity at Morro Bay, with community-benefit potential in the offshore wind supply chain and port-based manufacturing.

Southern California / Greater Los Angeles: the state's largest manufacturing economy; a clean freight and logistics hub with significant port access; and a concentration of data centers requiring community-benefit attention.

Inland Empire: logistics and warehousing; significant industrial land and workforce for clean manufacturing; growing data center development requiring community-benefit terms.

San Diego / Imperial Valley: defense, biotech, and offshore and onshore renewable energy; a border economy with significant community-benefit opportunity in utility-scale solar and storage.

Kern County: oil and gas transition alongside significant renewable energy production and an industrial workforce; a priority region for manufacturing investment and community-benefit requirements.

Glossary

Civic infrastructure: the networks of local governments, tribal governments, businesses, nonprofits, and technical intermediaries that can help turn public funding and decisions into projects communities want and can sustain.

Climate-Smart Economy: an economy that achieves both climate goals and broad shared prosperity through deliberate alignment of industrial strategy, public investment, and civic infrastructure.

Community benefit agreement: a binding agreement between a project developer and host community specifying enforceable commitments on local hiring, local procurement, environmental protections, community governance, and direct benefits such as payments or equity stakes.

High-road jobs: those that pay at or above living wage, provide health and retirement benefits, create safe, fair, and predictable working conditions, and ensure equitable advancement.

Missing middle: the gap between early-stage research and full-scale manufacturing production that causes California to invent technologies that are then manufactured elsewhere.

Regional Economic Council: a multi-sector regional governance body, bringing together local governments, workforce boards, education institutions, labor, business, and community organizations, with authority and resources to develop and execute regional economic strategy.

Sector roadmap: a sector-specific analysis identifying a priority industry's assets, gaps, and opportunities in California, and recommending actions to attract or retain manufacturing at scale.

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