

## **ADDENDUM TO THE INITIAL STATEMENT OF REASONS MADE IN CALIFORNIA PROGRAM**

### **I. Purpose of the Modifications**

Following publication of the Notice of Proposed Rulemaking on April 25, 2025, the Governor's Office of Business and Economic Development (GO-Biz) has made limited modifications to the proposed regulations. These modifications are sufficiently related to the original text and are intended to improve clarity, consistency, and implementability of the regulations, while maintaining the underlying policy intent and program structure.

The modifications respond to issues identified during OAL review and are designed to ensure that the regulatory text is clear, internally consistent, and aligned with statutory authority governing the Made in California Program.

### **II. Summary of Modifications and Rationale**

#### **A. Clarifying Definitions and Terminology**

Certain definitions and terminology within the regulations have been revised to improve clarity and internal consistency. These modifications are intended to ensure that key terms are clearly understood and applied uniformly in program administration.

These changes do not expand or restrict program eligibility, nor do they alter statutory requirements. Instead, they clarify how existing statutory concepts are reflected in the regulatory framework.

#### **B. Clarification of Cost Categories and Allowable Costs**

Modifications were made to provisions addressing cost categories and allowable expenses to clarify how costs are identified, categorized, and evaluated for program purposes. These revisions improve transparency and reduce the potential for inconsistent interpretation or application.

The modifications do not establish new cost categories, impose new obligations, or modify the underlying statutory authority governing program funding or expenditures.

#### **C. Technical, Conforming, and Structural Revisions**

Additional non-substantive changes were made to improve readability, correct cross-references, and ensure consistency throughout the regulatory text. These include grammatical edits, formatting changes, and conforming revisions necessary to maintain coherence across sections. These changes do not affect the meaning, intent, or application of the regulations.

### **III. Necessity and Rationale**

Where prior descriptions in the Initial Statement of Reasons characterized certain changes as non-substantive, those descriptions have been corrected to accurately reflect the regulatory effect of the modifications.

GO-Biz has determined that the modified regulatory text is reasonably necessary to effectuate the purpose of the Made in California Program. The modifications:

- Improve clarity and reduce ambiguity for applicants and program administrators;

- Support consistent and transparent administration of program requirements;
- Ensure alignment between regulatory language and statutory authority; and
- Enhance the enforceability and usability of the regulations.

The modifications do not change the substantive policy objectives of the program and are limited to refinements necessary for effective implementation.

The proposed definition of “Application Portal” in Section 8100(d) is needed to clarify the method by which applications to the Made in California Program must be submitted and processed. The regulations require applicants to submit information, documentation, and attestations for eligibility determination and ongoing program administration.

Defining “Application Portal” establishes a clear, uniform mechanism for submission and review of these materials, supports consistent administration of the program, and ensures applicants understand where and how required information must be provided. This definition has regulatory effect because it specifies the required channel for application submission and is necessary to implement, administer, and enforce the program in a transparent and orderly manner.

The proposed definition of “Attestation” in Section 8100(e) is needed to establish the legal significance of statements and representations submitted by applicants and participants in the Made in California Program. The program requires applicants and participants to certify the accuracy and completeness of information provided to determine eligibility for the Made in California designation and to support ongoing compliance and oversight.

Defining “Attestation” clarifies that such certifications are made under penalty of perjury and may be relied upon by CalOSBA in administering, monitoring, and enforcing program requirements. This definition has regulatory effect because it establishes the evidentiary and legal basis for applicant and participant representations, supports enforcement and compliance activities, and is necessary to ensure the integrity and accountability of the Made in California Program.

The proposed definition of “Brand Guidelines” in Section 8100(f) is needed to clarify the standards governing the use of the Made in California designation and associated marks. The Made in California Program authorizes approved participants to use a state-administered designation that conveys information to consumers regarding product origin.

Defining “Brand Guidelines” establishes the parameters for how the designation may be displayed, represented, and marketed, and ensures that use of the designation is consistent, accurate, and not misleading. This definition has regulatory effect because it identifies enforceable standards that participants must follow when using the Made in California designation and provides CalOSBA with a clear basis for monitoring compliance and addressing misuse or misrepresentation.

In the Initial Statement of Reasons (ISOR), the repeal of Section 8150(c) was incorrectly described as a change without regulatory effect. This is a substantive change, as this subsection was repealed due to the new fees in Section 8150(b)(1).

In the ISOR, the repeal of Section 8150(d) was incorrectly described as a change without regulatory effect. This is a substantive change, as this subsection was repealed due to the new fee payment frequency in Section 8150(b)(2).

The exclusionary criteria set forth in Section 8100(r)(1) through (8) are reasonably necessary to carry out the purposes of the Made in California Program and to ensure consistent, lawful, and enforceable administration of the program.

The Made in California designation is a state-administered origin claim that conveys a representation to consumers regarding the nature and source of a product. The exclusionary conditions were selected to ensure that only entities capable of making accurate, verifiable, and lawful origin claims may participate in the program.

Each condition in Section 8100(r)(1) through (8) addresses circumstances that would materially impair program integrity, including the risk of misleading origin claims, inability to verify eligibility, or noncompliance with applicable law. The criteria are based on objective, identifiable conditions and are narrowly tailored to exclude only those applicants whose participation would undermine consumer confidence or the enforceability of the Made in California designation.

The exclusionary criteria do not establish new substantive eligibility requirements beyond those necessary to administer the program and are limited to conditions directly related to program purpose, oversight, and compliance.

In the ISOR, Section 8110(c)(7) was described as included “women-owned businesses”. However, women-owned businesses were not included in this paragraph because Section 8110(c)(7) addresses eligibility criteria based on manufacturing activity and product characteristics, not ownership status, and the reference to women-owned businesses in the ISOR was included in error.

In the ISOR, the description of the proposed changes to paragraphs (c)(1) and (2) of Section 8120 were incorrectly cited as being in paragraphs (b)(1) and (2) of that section. Section 8150(b) establishes fees that are reasonably necessary to support the administration and oversight of the Made in California Program.

The fees established in section 8150(b) are based on GO-Biz's estimated annual costs to administer and oversee the Made in California Program. These estimates reflect staff time and operational resources required to perform application review, eligibility verification, participant support, compliance monitoring, and enforcement activities.

GO-Biz estimates that the annual cost to administer the Program is approximately \$150,000, comprised of the following activities:

- **Application review and eligibility determination:** approximately \$150,000 annually, reflecting staff time to review applications, verify manufacturing and sourcing information, evaluate “substantially made” calculations, and issue determinations.
- **Participant support and technical assistance:** approximately \$150,000 annually, reflecting staff time to respond to participant inquiries and provide guidance regarding program requirements.
- **Compliance monitoring and verification:** approximately \$150,000 annually, reflecting periodic review of participant records, follow-up on attestations, and verification activities to ensure accurate use of the Made in California designation.
- **Program administration and enforcement:** approximately \$150,000 annually, reflecting program oversight, recordkeeping, coordination, and enforcement related to misuse or noncompliance.

These estimates are based on projected participation levels, anticipated application and renewal volume, and the average amount of staff time required per participant, multiplied by applicable salary and benefit rates. The fees established in section 8150(b) are intended solely to recover these program-related administrative costs and are not designed to generate revenue in excess of the state's cost of administering the Program.

An initial fee is necessary to cover the costs associated with application processing and eligibility determination. Periodic fees are necessary to support continued verification, monitoring, and administration during the period in which a participant is authorized to use the Made in California designation.

The differentiated fee amounts set forth in Section 8150(b) are reasonably necessary because the level of administrative review, verification, and ongoing compliance oversight required under the Made in California Program varies based on the size, operational complexity, and production structure of participating entities.

Establishing tiered fee amounts allows GO-Biz to equitably allocate program administration and oversight costs in proportion to actual regulatory workload, avoids cross-subsidization among participants, and ensures the program remains accessible, enforceable, and financially sustainable without generating revenue more than program-related costs.

Based on projected participation levels and anticipated workload, the state estimates that the annual costs to administer and oversee the Made in California Program are in the range of approximately \$150,000 to \$300,000 per year. These costs are driven primarily by personnel expenditures associated with application review, eligibility verification, and compliance monitoring, along with supporting operational and administrative expenses. The fees established in Section 8150(b) are designed to reasonably recover these estimated program-related costs and are not intended to generate revenue in excess of the state's actual cost of administration.

#### **IV. Economic Impact Assessment**

Pursuant to Government Code section 11346.3(b)(1), GO-Biz has assessed the potential economic impacts of the proposed regulations and determined the following:

##### **A. Creation or elimination of jobs within the state**

The proposed regulations are not expected to create or eliminate jobs within the State of California. The Made in California Program is a voluntary designation program and does not require participating businesses to alter staffing levels, employment practices, or operational capacity.

##### **B. Creation of new businesses or elimination of existing businesses within the state**

The proposed regulations are not expected to create new businesses or eliminate existing businesses within the state. The regulations do not impose mandatory requirements on manufacturers or restrict the ability of any business to operate in California. Participation in the program is voluntary and does not affect business licensure or authorization.

##### **C. Expansion of businesses currently doing business within the state**

While the proposed regulations are not intended to directly cause business expansion, GO-Biz anticipates that the Made in California designation may indirectly support participating

businesses by enhancing product visibility, consumer recognition, and market differentiation. These potential benefits may contribute to business growth for participating entities, though any such impacts are expected to vary and cannot be quantified with certainty.

#### **D. Benefits to the health and welfare of California residents, worker safety, and the state's environment**

The proposed regulations are expected to benefit the health and welfare of California residents by promoting truthful, transparent, and verifiable origin claims for products marketed as Made in California. By establishing clear eligibility criteria and compliance standards, the regulations support consumer confidence and help prevent misleading or deceptive representations. The regulations do not directly impact worker safety or the state's environment.

Accordingly, GO-Biz reaffirms its prior determination that the regulations will not have a significant statewide adverse economic impact directly affecting businesses.

#### **V. Consideration of Alternatives**

No reasonable alternatives have been identified that would be more effective in carrying out the purpose of the statute or less burdensome to affected entities than the proposed regulations, as modified.

The proposed modifications represent the least burdensome and most effective approach to achieving the regulatory objectives while maintaining consistency with statutory authority.