GOVERNOR'S OFFICE OF BUSINESS AND ECONOMIC DEVELOPMENT (GO-BIZ) OFFICE OF THE SMALL BUSINESS ADVOCATE (CALOSBA) MADE IN CALIFORNIA PROGRAM

Title 10. Investment
Chapter 13. Governor's Office of Business and Economic Development
Article 2. Made in California Program

Amend Article 2. Made in California Program, Sections 8100, 8110, 8120, 8130, 8140, and 8150.

Adopt Article 2. Made in California Program, Section 8160.

NOTICE OF PROPOSED RULEMAKING ACTION

Notice is hereby given that the Office of the Small Business Advocate (CalOSBA), Governor's Office of Business and Economic Development (GO-Biz), propose to amend the regulations described below after considering all comments, objections and recommendations regarding the proposed action.

PROPOSED REGULATORY ACTION

CalOSBA and GO-Biz propose to amend sections 8100, 8110, 8120, 8130, 8140, 8150 and adopt section 8160 to Article 2 of Chapter 13 of Title 10 of the California Code of Regulations in order to implement, interpret and make specific

- 1) Definitions (8100)
- 2) Application Process for the Label (8110)
- 3) Certification Process for the Label (8120)
- 4) Application Review, Rejection, Approval, and Renewal Processes (8130)
- 5) Licensing Agreement and Label Usage (8140)
- 6) Fee Imposition, Structure, and Management (8150)
- 7) Product Database (8160)

relating to the Made in California program.

PUBLIC HEARING

No public hearing is scheduled on this proposed action. However, a public hearing will be scheduled if a written request for one is received from any interested person, or their authorized representative, no later than fifteen (15) days prior to the close of the written comment period.

WRITTEN COMMENT PERIOD

Any interested person, or their authorized representative, may submit written comments relevant to the proposed regulatory action to:

GOVERNOR'S OFFICE OF BUSINESS AND ECONOMIC DEVELOPMENT
OFFICE OF THE SMALL BUSINESS ADVOCATE
ATTENTION: CLAIR WHITMER
1325 J STREET, SUITE 1800
SACRAMENTO, CA 95814

Comments may also be submitted by email to <u>Clair.Whitmer@gobiz.ca.gov</u>. The written comment period closes on **June 9, 2025**. Comments must be received timely to be considered.

AUTHORITY AND REFERENCE

The proposed regulation will be adopted under the authority of Government Code sections 11152, 12098.10 and 12098.11. The proposed regulation implements, interprets, and makes specific Government Code sections 12098.10 and 12098.11.

INFORMATIVE DIGEST/POLICY STATEMENT OVERVIEW

CalOSBA and GO-Biz propose to amend sections 8100, 8110, 8120, 8130, 8140, 8150, and adopt section 8160 in Article 2 of Chapter 13 of Title 10 of the California Code of Regulations. The sections contain definitions, information, requirements, and processes related to the Made in California program. The proposed amendments will clarify definitions, information, requirements, processes, and fees as they relate to the Made in California program.

Summary of Related Existing Laws and Regulations:

The Made in California Program was enacted in 2013 and established in Government Code section 12098.10 and 12098.11. On July 10, 2023, AB 127 amended statutes associated with Made in California. These regulations provide guidance and information for the Made in California Program related to:

- definitions used,
- the Application process,
- the Certification process,
- the Application Review, Rejection, Approval, and Renewal Process,
- the Licensing Agreement and Label Usage,
- And the Fee Imposition, Structure and Management.

After the adoption of the amended regulations for the Made in California Program, CalOSBA and GO-Biz were made aware that the updated Application requirements proposed and adopted in the most recent rulemaking process unintentionally placed a large burden on Applicants due to the complexities and costs associated with previous requirements such as a third-party certification. Under the advisement of industry experts, CalOSBA and GO-Biz are recommending changes to certain parts of the Made in California Program guidelines. This rulemaking action seeks to modify the previous regulations adopted on April 7, 2021.

<u>Broad Objectives and Anticipated Benefits of the Proposed Regulations:</u>

The Made in California Program is designed to develop and promote the Made in California label, to encourage consumer product awareness, and to foster purchases of high-quality products in this state. The Program is administered by the California Office of the Small Business Advocate, Governor's Office of Business and Economic Development. The Program supports California-based manufacturers that meet the eligibility requirements across California's diverse range of manufacturing categories.

The objective of the proposed amendments is to provide further clarity to Applicants on the application and certification process, definitions of terms used in the Made in California Program guidelines, information on the review and renewal process, rules regarding the Licensing Agreement and Label usage, updated Fee information, and the new Product Database on the Made in California website.

The proposed regulatory changes aim to reduce the barrier of entry into the Made in California Program and make it accessible to all manufacturers throughout the state, regardless of their length of operation or financial success.

Consistency And Compatibility with Existing State Regulations:

During the process of developing these regulations, CalOSBA and GO-Biz have conducted a search of any similar regulations on this topic and has concluded that these regulations are neither inconsistent nor incompatible with existing regulations. CalOSBA and GO-Biz have endeavored to ensure that these regulatory amendments comply with the non-duplication standard found in Title 1, California Code of Regulations.

ESTIMATES OF ECONOMIC IMPACT

CalOSBA and GO-Biz have made the following initial determinations:

- Mandate on local agencies and school districts: None.
 - Cost or savings to any state agency: None.
 - Cost to any local agency or school district which must be reimbursed in accordance with Government Code sections 17500 through 17630: None.
 - Other nondiscretionary cost or savings imposed on local agencies: None.
 - Cost or savings in federal funding to the state: None.
 - Significant effect on housing costs: None.
 - Significant statewide adverse economic impact directly affecting business, including the ability
 of California businesses to compete with businesses in other states: While the proposed action
 will directly affect businesses statewide, specifically manufacturing businesses including small
 manufacturers, CalOSBA and GO-Biz have concluded that there would be no adverse economic
 impact, including the ability of California businesses to compete with businesses in other states.
 - Potential cost impact on representative person or businesses: Participation in the Program is voluntary. The agency is not aware of any cost impacts that a representative person or business would necessarily incur in reasonable compliance with the proposed action.
 - Small Business Determination: The proposed regulation may affect small business.

EFFECT ON SMALL BUSINESS

CalOSBA and GO-Biz have determined that the proposed regulations will only directly affect small businesses if they voluntarily elect to participate in the Made in California Program. This program is designed to develop and promote the Made in California label, to encourage consumer product awareness, and to foster purchases of high-quality products in this state. The intent is to promote and market small businesses within California, providing them a large economic advantage. The impact of the effect is dependent on the employment size of the businesses at the time of application, which will determine the amount of fee to be assessed.

RESULTS OF THE ECONOMIC IMPACT ASSESSMENT

CalOSBA and GO-Biz have determined that the proposed amendments to sections 8100, 8110, 8120, 8130, 8140, and 8150 as well as the addition of section 8160 to the Article 2 of Chapter 13 of Title 10 of the California Code of Regulations does not have a quantifiable effect that will (1) create or eliminate any jobs, (2) create or eliminate any businesses in California, (3) expand the business currently doing business within the state, or (4) effect the health and welfare of California residents, worker safety, or the state's environment. Once the program is up and running, and the office can start measuring employment, product expansion, and outcomes of the marketing program it will then be possible to quantify the anticipated positive impact of the program.

The costs associated with the proposed regulation will be the cost of the fee imposed to participate in the voluntary program. The fee will cover a two (2) year period after which point a renewal fee will be assessed. The total cost for a business is dependent on the number of full-time equivalent (FTE) employees the business has at the time of their initial application for the program or when requesting renewal to continue participating in the program. CalOSBA anticipates engaging approximately one-quarter to one-third of the manufacturing industry in this program with an initial target of 8,000 businesses participating.

The Made in California program aims to promote small businesses and encourage consumer purchases of high-quality products produced within the state. While no direct impact can be quantified at this time, it is expected that businesses participating in the program will see benefits by using the Made in California Label and the associated promotion of their product(s) through CalOSBA's online product database and promotional activities. A survey conducted by Retail Brew/Harris Poll found that 72% of respondents seek out American-made products very often or somewhat often and that 48% would be willing to pay between 10-20% more¹. CalOSBA anticipates that consumer preferences toward purchasing locally manufactured products will produce similar outcomes and increase sales for participating businesses.

REASONABLE ALTERNATIVES CONSIDERED

CalOSBA and GO-Biz must determine that no reasonable alternative considered by the department or that has otherwise been identified and brought to the attention of the Office would be more effective in carrying out the purpose for which the action is proposed, would be as effective as and less burdensome to affected private persons than the proposed action, or would be more cost effective to affected private persons and equally effective in implementing the statutory policy or other provision of law.

Different Fee Amount Considerations | The fee amounts included in the proposed regulations were determined through consultation with an advisory committee of industry experts to ensure that the amounts set were reasonable to encourage participation in the program and simultaneously cover the cost of administering the program. The Office considered the option of charging a higher fee for participation in the Made in California program but decided against it, recognizing that it could create a barrier for companies, especially smaller ones, to join. Additionally, using an alternative calculation to determine fee amounts was deemed too complicated for small manufacturers, potentially leading to

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¹ Newman, A. A. (2022, July 28). Consumers will pay more for American-made products, but inflation takes a toll: poll. Retail Brew. Retrieved March 11, 2025, from https://www.retailbrew.com/stories/2022/07/28/consumers-will-pay-more-for-american-made-products-but-inflation-takes-a-toll-poll

inaccurate responses and discouraging participation in the program. The goal was to keep the process simple and accessible to ensure broad involvement.

Prescriptive versus Performance Standard | A prescriptive standard for carrying out the application process is required to ensure equitable access to the Program for all interested parties and to ensure adequate information on the products utilizing the Made in California Label is available to the Office for marketing and promotional purposes. Using a performance standard for the Made in California Program would not result in lowered compliance costs.

CONTACT PERSON(S)

Inquiries concerning the proposed action may be directed to:

Name: Clair Whitmer

Email: Clair.Whitmer@gobiz.ca.gov

Phone No.: (916) 719-2756

The backup contact person for these inquiries is:

Name: Sara Curtis

Email: Sara.Curtis@gobiz.ca.gov Phone No.: (916) 397-3490

AVAILABILITY OF CHANGED OR MODIFIED TEXT

After the close of the forty-five (45) day public comment period, CalOSBA and may adopt the proposed regulation. As a result of public comments, either oral or written, that are received by CalOSBA and GO-Biz regarding this proposal, CalOSBA and GO-Biz may determine that changes to the proposed regulation are appropriate. If GO-Biz makes modifications that are sufficiently related to the originally proposed text, it will make the modified text (with the changes clearly indicated) available to the public for at least 15 days before CalOSBA and GO-Biz adopt the regulations as revised. CalOSBA and GO-Biz will provide notification of any such modifications to all persons whose comments were received during the public comment period, all persons whose comments (written or oral) were received at the public hearing (if one is held) and all persons who requested notice of such modifications. Otherwise, please send requests for copies of any modified regulations to the attention of Clair Whitmer and Sara Curtis at the above email addresses. CalOSBA and GO-Biz will accept written comments on the modified regulations for 15 days after the date on which they are made available.

AVAILABILITY OF INITIAL STATEMENT OF REASONS, RULEMAKING FILE AND EXPRESS TERMS OF THE PROPOSED REGULATIONS

CalOSBA and GO-Biz have established a rulemaking file for this regulatory action, which contains those items required by law. The file is available for inspection at the GO-Biz office located at 1325 J Street Suite 1800, Sacramento, California, upon request and during normal business working hours (8 am-5 pm). Please contact Clair Whitmer and/or Sara Curtis at the above email addresses to arrange a date and time to inspect the files. As of the date this Notice is published in the Notice Register, the rulemaking file consists of this Notice, the Initial Statement of Reasons and the proposed text of the regulations. Copies of these items are available, upon request, from the Contact Person designated in this Notice.

AVAILABILITY OF FINAL STATEMENT OF REASONS

CalOSBA and GO-Biz are required to prepare a Final Statement of Reasons. Once CalOSBA and GO-Biz have prepared a Final Statement of Reasons, a copy will be made available to anyone who requests a copy. Requests for copies should be addressed to the Contact Person identified in this Notice.

OFFICE INTERNET WEBSITE

CalOSBA and GO-Biz maintain an Internet website for the electronic publication and distribution of written material. Copies of the Notice of Proposed Action, the Initial Statement of Reasons, and the text of the regulations can be accessed through our website at: www.calosba.ca.gov.