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GOVERNOR'S OFFICE OF BUSINESS AND ECONOMIC DEVELOPMENT

STATE OF CALIFORNIA • OFFICE OF GOVERNOR GAVIN NEWSOM

## Made in California Program Annual Report to the Governor and Legislature October 2020 - September 2021

*Pursuant to Sections 12097(d) and 12098.4(b) of the Government Code*

**Gavin Newsom**  
GOVERNOR

**Dee Dee Myers**  
DIRECTOR

**Tara Lynn Gray**  
DIRECTOR AND SMALL BUSINESS ADVOCATE  
CALIFORNIA OFFICE OF SMALL BUSINESS ADVOCATE



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Annual reports are required for submission to the Governor and the Legislature by the Made in California Program, pursuant to Government Code Sections 12098.4(b). This report provides information on the expenditures, progress, and ongoing priorities with this program during the reporting period covering October 1, 2020 to September 30, 2021.

This report is available for digital download at <http://business.ca.gov>. To order a hard copy, please call the Governor's Office for Business and Economic Development at 877.345.4633.

## Made in California (CA Made)

### Program Overview

In 2013, Governor Brown signed Senate Bill 12 (Corbett, Chapter 541, Statutes of 2013), creating the Made in California Program (CA Made) within the Governor’s Office of Business and Economic Development (GO-Biz). CA Made is a state labeling program designed to encourage consumer product awareness and to promote the purchase of products manufactured in California. The Office of Small Business Advocate (CalOSBA), within GO-Biz, is responsible for administering the program.

A manufacturer must meet the following requirements to participate in CA Made:

- 51 percent or more of a product’s value added must be from California.
- The finished product must be able to lawfully use a “Made in U.S.A.” label pursuant to Section 17533.7 of the California Business and Professions Code. The Federal Trade Commission (FTC) governs the use of the “Made in U.S.A.” label under the “all or virtually all” standard,<sup>1</sup> which, with a few exceptions, prohibits the use of the label if “the merchandise or any article, unit, or part thereof, to be entirely or substantially made, manufactured, or produced outside of the United States.”<sup>2</sup>
- Agricultural products subject to Buy California program are excluded.
- A third-party certification is required at least once every three years.

As defined in Government Code Section 12098.10(e)(3), a qualified third-party certifier is an “individual, group, or association that possesses a professional license, certification, or other equivalent documentation indicating sufficient training, education, or expertise to perform a regulatory compliance audit.” As further defined in the California Code of Regulations, a third-party certifier is a “a qualified third-party as defined by the program who is legally and financially separate from the applicant, familiar with the product(s) being certified, and is legally authorized to do business in California.”<sup>3</sup>

The CA Made program promotes the following benefits to firms who participate:

- Use of the CA Made label on products, packaging, and point-of-sale merchandising;

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<sup>1</sup> <https://www.ftc.gov/tips-advice/business-center/guidance/complying-made-usa-standard#intro>

<sup>2</sup> <https://leginfo.legislature.ca.gov/faces/codesdisplaySection.xhtml?lawCode=BPC&sectionNum=17533.7>.

<sup>3</sup> 10 CCR § 8100

- Placement of the product and company bio on the CA Made website;
- Marketing via GO-Biz's social media sites;
- Information on services from program partners; and
- Business-to-business networking, technical advising, and additional marketing through the Made in California Partnership with California Manufacturing Technology Consulting (CMTC).

## Background

In this reporting period, and since its inception, the CA Made program has not built significant participation from the state's large manufacturing sector. Despite extensive efforts by GO-Biz and CalOSBA since the program's launch, CA Made remains inactive.

On June 7, 2016, regulations for CA Made were approved and filed, and an official webpage for CA Made was launched – [www.camade.ca.gov](http://www.camade.ca.gov). An online advertising campaign was also released in late summer 2016 that included both digital banner placements across a variety of manufacturing, small business and business publication websites, and promotion on major social media platforms. In addition, during this past year, CalOSBA staff incorporated CA Made information as part of its small business forums and stakeholder meetings that it conducted across the state. The promotional efforts generated attention and led prospective applicants to the website. During the marketing roll-out between August and December 2016, the CA Made website received over 6,200 page views during 2,400 sessions from 1,844 unique users.<sup>4</sup>

In November 2017, a partnership was launched with California Manufacturing Technology Consulting (CMTC), a U.S. Department of Commerce designated Manufacturing Extension Partnership (MEP), to expand offerings for any certified CA Made firms. Additional services included business advising, acceleration, marketing, and networking.

Despite GO-Biz's promotional efforts, only two complete applications for the program were received since launch. The first complete application was approved in March 2017 for a three-year period. The second complete application was approved in July 2019 for a three-year period.

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<sup>4</sup> A "session" is a group of user interactions with a website that take place within a given time frame. For example, a single session can contain multiple page views, events, social interactions, and ecommerce transactions.

Given the slow initial interest and lack of applications to the program, GO-Biz conducted four focus groups across the state in December 2016 to further understand the barriers to participation. The focus groups reveals that that firms were deterred by the third-party certification requirements. In August 2019, GO-Biz partnered with CMTC to conduct a survey across its clients to understand program barriers and perceived value-add of CA Made. With 111 survey responses, top barriers identified were third-party certification and fees (approximately \$2000 total) and the Made in U.S.A. standard.<sup>5</sup>

## Current Year Activities

CalOSBA at GO-Biz continues to support the CA Made program, but, as a result of historic challenges and barriers in its structuring, it has not been an active initiative.

CA Made has no active certifications, applications, or inquiries in process. From October 1, 2020 through September 30, 2021, CalOSBA only received eight (8) email inquiries, and eight (8) new accounts were created on the CA Made application portal (<https://camade.ca.gov/Login.aspx>), but no complete applications were submitted. Further, there were zero (0) outbound clicks to the CA Made website from the GO- Biz website ([business.ca.gov](https://business.ca.gov)) during this time period.

GO-Biz and CalOSBA have not conducted additional outreach on the CA Made program during the current reporting period. However, CalOSBA has been actively supporting small manufacturers during this period. CalOSBA extensively promotes its network of small business centers funded through the Technical Assistance Expansion Program (TAEP) to California businesses. TAEP, CMTC (also a TAEP grantee), and other centers offer advisory and training services to support manufacturing firms and help them launch, grow, manage, and build resilience. CMTC also continues to promote its own Made in California program which offers some networking, branding, and promotion through its MEP affiliation.<sup>6</sup>

Currently, there are no third-party organizations offering a CA Made certification service. The previous third-party certifier, TÜV Rheinland North America (TÜV), withdrew its offering for CA Made on June 1, 2020. Likely due to cost-benefit value,

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<sup>5</sup> Source: [https://leginfo.legislature.ca.gov/faces/codes\\_displaySection.xhtml?lawCode=BPC&sectionNum=17533.7](https://leginfo.legislature.ca.gov/faces/codes_displaySection.xhtml?lawCode=BPC&sectionNum=17533.7)

<sup>6</sup> <https://offers.cmtc.com/join-the-made-in-california-program>

other third-party certifiers have not indicated interest in offering a CA Made certification since there are so few participants. Going forward, any interested CA Made applicants would need to independently identify a qualified third-party certifier to complete their application.

In May 2021, Senator Richard Roth (D-Riverside), introduced Senate Bill 808 (SB 808): GO-Biz: Made in California Program. The bill proposes to modify the CA Made program by removing the requirements that:

- The finished product could lawfully use the “Made in U.S.A.” label, and
- A qualified third-party could certify the company and labeled products to meet the requirements of the CA Made program.

These modifications could potentially remove the most significant barriers to the program and may result in greater interest and participation with a relaunch of the program. However, as of August 16, 2021, the hearing has been postponed by a legislative committee and the legislation is now a two-year bill that can be reconsidered in early 2022.

## Program Insights and Future Plans

California is home to some of the most innovative and iconic companies in the world. According to the National Association of Manufacturers, 35,321 California-based manufacturers account for 10.36 percent of the total output in the state (percent share of total gross state product), which totaled \$324.43 billion in 2019.<sup>7</sup> Additionally, California manufacturers employed 7.57 percent of the non-farm workforce, or 1,222,000 people at an average annual compensation of \$112,381.20.<sup>8</sup> Further, \$133.75 billion in manufactured goods were exported in 2020. It is without question that California’s manufacturers have a significant impact on the State’s economy.<sup>9</sup> Given that 98.6 percent of all US firms in the are small businesses, and most of them have fewer than 20 employees, it is a priority for GO-Biz and CalOSBA to support the advancement and growth of this sector.<sup>10</sup>

GO-Biz and CalOSBA will continue to assess the issues that have surfaced in the CA

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<sup>7</sup> <https://www.nam.org/state-manufacturing-data/2020-california-manufacturing-facts/>

<sup>8</sup> Ibid.

<sup>9</sup> Ibid.

<sup>10</sup> B Weston. “How Small Manufacturing Businesses Drive the U.S. Economy.” SCORE Association. 9 May 2019. Accessed on 10 November 2021 on <https://www.score.org/blog/how-small-manufacturing-businesses-drive-us-economy>.

Made program and consider new options and best practices to support the attraction, retention, and growth of California manufacturing - especially with the upward trends of onshoring and nearshoring for supply chain resilience during the COVID-19 pandemic. Providing a branded competitive edge for in-state makers, producers, and manufacturers remains a priority. GO-Biz and CalOSBA will continue to explore ways to provide a strong labelling program bolstered by marketing and support services to help grow revenues and rebuild California's economy by increasing demand for CA Made branded products.