

CALIFORNIA DEPARTMENT OF FOOD AND AGRICULTURE

CALIFORNIA CODE OF REGULATIONS

Title 3. FOOD AND AGRICULTURE

Division 8. CANNABIS CULTIVATION

Chapter 2. CANNABIS APPELLATIONS PROGRAM

INITIAL STATEMENT OF REASONS

PROBLEM STATEMENT

The California Department of Food and Agriculture (Department) is required by the Medicinal and Adult-Use Cannabis Regulation and Safety Act (MAUCRSA) under Business and Professions Code (Bus. & Prof. Code) section 26063 to establish, no later than January 1, 2022, a process by which licensed cannabis cultivators may establish appellations of origin including standards, practices, and cultivars applicable to cannabis produced in a certain geographical area in California. The Department created the Cannabis Appellations Program (CAP) to meet this statutory obligation and implement the Department's responsibilities under MAUCRSA.

From 2018 through 2019, Department staff conducted research, held workshops, and working group meetings to develop the regulatory framework for the CAP. Throughout 2020 and 2021, the Department submitted multiple iterations of proposed regulations to the Office of Administrative Law (OAL) to address public comments and statutory changes impacting the program. Those proposed regulations were housed in both Chapter 1 (Cannabis Cultivation Program) and Chapter 2 (Cannabis Appellations Program) of Division 8 (Cannabis Cultivation) of Title 3 of the California Code of Regulations (Food and Agriculture). In anticipation of the passage of AB 141 (Budget Act of 2021), the final proposed regulations submitted by the Department, and approved by OAL in 2021, included only those regulations included in Chapter 2. Thus, some key elements of the appellations program that had been developed in collaboration with stakeholders and included in multiple versions of proposed regulations were not included in the final appellation of origin regulations.

AB 141 created the Department of Cannabis Control (DCC) and transferred oversight of most commercial cannabis activities to the DCC. These oversight activities were previously spread among three agencies, including the Department. Under that Act, authority over the appellations program remained with the Department, while oversight of cultivators was transferred from the Department to DCC. This oversight included some aspects of a cultivator's use of an appellation of origin that were previously included in Chapter 1 of the Department's proposed regulations, but not in the Department's final approved version of regulations. The amendments proposed here reintroduce several components of the program that the DCC agreed the Department had the authority to address. The proposed amendments also add critical definitions and correct minor errors in the existing regulations.

Appellations of origin are a type of label of origin which provide consumers information about where and how a product was produced. They differ from other labels of origin such as a company's trademark because they are associated with a geographic region rather than an individual company. As such, they are typically geographic names (or representations) associated with that region and put on the label or advertisement of a product. Bus. & Prof. Code section 26063 mandates that cannabis appellations be associated with standards, practices, and cultivars, rather than solely the region of origin. The proposed amendments address the sections of the regulations clarifying the meaning of "produced" in an appellation of origin and associated recordkeeping and notification requirements for use of an appellation of origin.

BENEFITS

Existing regulations detail the process by which licensed outdoor cannabis cultivators may petition the Department to establish or modify appellations of origin. The proposed amendments to the regulations strengthen the CAP by defining "produced," clarifying recordkeeping requirements, creating a Notice of Use requirement, and correcting errors in the existing regulations. These sections are critical to realizing the following potential benefits of an appellation program.

Benefits to the Cultivators

Under the appellations program, licensed cannabis cultivators are provided a means to attain product recognition by linking their cannabis origin to a geographical area of California. This allows cultivators to promote their cannabis farming traditions and region-specific standards, practices, and cultivars. The introduction and use of origin designations on products is expected to cause market segmentation and product differentiation effects which can have the benefits of increasing the total California cannabis market value and profits on origin-designated products. Protection of the name of a place recognized to have a notable effect on cannabis acts to ensure that the reputation of that place is not exploited or damaged by the use of the name on products which were not produced in the named area and in compliance with the production requirements established for the area. As a result, communities of cannabis cultivators are provided tools to promote and manage the reputations of their geographical areas through petitioning for appellations of origin. The proposed regulations strengthen that tool by providing increased transparency and accountability for participating cultivators.

The Notice of Use requirement benefits cultivators by providing a tool to monitor against misuse or counterfeit use of their established appellation of origin. It provides both the organization that petitioned for the appellation of origin and the Department with important information on the use of the appellation of origin in the commercial marketplace.

The proposed definition of “produced” strengthens the program by ensuring the meaning of produced in an appellation of origin is consistent throughout the state. Recordkeeping requirements benefit cultivators by providing clarity on the requisites for use of an appellation of origin and ensuring that other cultivators using the appellation of origin are doing so in compliance with those requisites. This will help reduce instances of misuse of the established appellation of origin. The recordkeeping requirements will also benefit both cultivator organizations and the state by making it easier to verify compliance with production requirements for cannabis labelled with an appellation of origin.

Benefits to the Public

The proposed amendments provide consumers with more reliable information regarding the origin of cannabis and associated production requirements. The use of origin designations on cannabis can provide consumers with information about attributes of the cannabis, that are difficult or impossible for consumers to determine prior to purchase. This facilitates transparency in purchasing decisions, enhances the overall consumer experience, and benefits the efficient operation of the market in general by providing additional means for producers to meet consumer preferences.

Protection of the name of a place recognized to have a notable effect on cannabis acts to ensure that origin information provided to consumers is informative and useful for purchasing decisions. Further, this enables enforcement against the misuse of recognized appellations of origin to prevent misleading consumers.

The proposed regulations increase the reliability of the information communicated by an appellation of origin to consumers. The proposed recordkeeping requirements benefit the public by reinforcing compliance with the production requirements associated with the protected name and thus consumers are not misled about where and how cannabis was produced. The Notice of Use requirements benefit the public by providing increased transparency in the use of appellation of origin names that may be influencing consumers' purchasing decisions.

SPECIFIC PURPOSE AND NECESSITY OF EACH SECTION, PER GOVERNMENT

CODE 11346

Chapter 2. Cannabis Appellations Program

The Department proposes the adoption of Division 8, Chapter 2, Sections 9000(a), (c), and (g), 9102(a) and (b), 9106, 9202(a)(2), 9203(c) and (d), 9301 and 9302, within Title 3 of the California Code of Regulations, to implement the Cannabis Appellations Program (CAP) in accordance with Bus. & Prof. Code section 26063. The resulting Chapter will have 4 articles, each containing rules for different aspects of the program. The purpose and necessity of each proposed regulation are explained below.

Article 1 Definitions

Section 9000. Definitions.

The Department is amending section 9000 by adding subdivisions (a), (c), and (g) to include definitions of “appellation of origin,” “department,” and “produced.”

The purpose of section 9000(a) is to clarify and make specific the term “appellation of origin” as used in Bus. & Prof. Code section 26063 and throughout the regulations by defining the term to mean a name of an area that has been approved by the department based on the requirements detailed in this chapter. Subsection 9000(a) is necessary to provide clarity that a geographic name provided protection as a cannabis appellation of origin must be approved by the Department based upon meeting the requirements detailed in the Food and Ag. Code sections 9100-9107.

The purpose of section 9000(c) is to clarify and make specific the term “department” to mean the Department of Food and Agriculture. Subsection 9000(c) is necessary because Bus. & Prof. Code section 26063 tasks DCC and the Department with regulating cannabis so it should be clear that Department means the Department of Food and Agriculture when the term is used in Chapter 2.

This purpose of section 9000(g) is to clarify and make specific the term “produced” as it is used in Bus. & Prof. Code section 26063 by defining the term to mean that when cannabis is produced within a geographical area of an appellation of origin, the cannabis was cultivated within that geographical area starting from the time the plants were no taller or wider than 18 inches, and all remaining cultivation activities occurred within that geographical area, including growing, harvesting, drying, curing, grading, and trimming the cannabis.

Subdivision 9000(g)(1) is necessary to provide the required starting point for cultivation activities for cannabis using an appellation of origin. Eligible cannabis must be produced within the area starting from the time the plants were no taller or wider than 18 inches. This subdivision clarifies the allowance of seeds and smaller plant propagules – often referred to as cuttings or clones – that are less than 18 inches taller or wider without

allowing the import of plants that are taller or wider than 18 inches. Subdivision (g)(1) clarifies the difference between an immature plant used as an input to the planting activity – which is not considered to contribute to the characteristics associated with the geographical origin of the resulting product – and an immature plant that has undergone a significant amount of vegetative growth outside the appellation of origin. Eighteen inches was chosen as the limit for consistency with DCC’s definition of immature plant in Business Regulations code 15000 (bb).

Subdivision 9000(g)(2) is necessary to clarify the cultivation activities that are included in the requirement of production within the appellation’s geographic boundary. This subdivision is necessary because Bus. & Prof. Code section 26063 requires the cannabis qualifying for an appellation of origin to be 100 percent produced in that appellation. Thus, clarity is needed on which cultivation activities are included in “produced.” Subdivision (g)(2) clarifies section 26063 of the Bus. & Prof. Code to specify that cannabis and nonmanufactured cannabis products, for the purposes of appellations of origin, are the result of cultivation activities defined in Bus. & Prof. Code section 26001 subdivision (k) which includes both the growing and postharvest processing of cannabis plants. Subdivision (g)(2) is necessary to ensure that the information provided by an appellation of origin meets consumer expectations that the geographical origin of production of the cannabis includes all activities occurring from the time of planting to the point at which the cannabis has undergone growth, harvesting, drying, curing, grading, and trimming. This distinction is necessary to provide clarity on the activities considered to contribute to the geographical origin of cannabis for enforcement of appellation of origin designations. This requirement also aligns the appellations program with established definitions of appellations of origin in which the characteristics of a product are “essentially or exclusively” due to its geographical origin.

Additionally, the existing definitions in section 9000 (a) through (e) are relabeled (b) through (h) to accommodate the insertion of these definitions, and Bus. & Prof. Code section 26001, which includes a definition of cultivation, is added to the references for section 9000.

Article 2. Petitions

Section 9102. Petition to Establish an Appellation of Origin.

The purpose of section 9102 is to outline the information required in a petition to establish an appellation of origin. Corrections are needed in both subdivisions (a) and (b) of the existing regulations. Both subdivisions require a petition to include cultivation license information and reference “license numbers issued by the department.” The use of department in this chapter refers to the Department of Food and Agriculture which no longer issues cultivation licenses. It is necessary in both subdivisions to replace “department” with “Department of Cannabis Control (DCC)” to accurately reflect the agency that issues cultivation licenses.

Additionally, Bus. & Prof. Code section 26012, which gives the DCC the authority to issue cultivation licenses, is added to the references for section 9102.

Section 9106. Geographical Features.

The purpose of section 9106 is to detail the requirements for identifying the geographical features used to define a unique geographical area affecting cannabis production.

Subdivision (d) specifies that a petition must include at least one standard, practice or cultivar requirement that preserves the causal link between at least one of the identified geographical features. This subdivision is being deleted as it is redundant with subdivisions 9106(a) and (c). Subdivision 9106(a) requires that the geographical features used to delineate the area represented by an appellation of origin affect cannabis production. Subdivision 9106(c) requires a description of the characteristic of the cannabis that is caused by at least one geographical feature. This connection is often referred to as the causal link. If that connection is somehow interfered with (i.e., not maintained) by proposed standards, practices, or cultivars proposed in a petition, then that geographical feature fails to be a causal link and the petition would be denied based on not meeting the requirements of subdivision (c), making the requirement in subdivision (d) to identify standards, practices and cultivars maintaining the link unnecessary. Subdivision (d) was included in the proposed appellation regulations prior to the passage of Senate Bill 67 (2019-2020 Regular Session) which mandated specific cultivation

practices for eligibility to participate in the appellations program. Those practices such as planting in the ground without the use of structures or artificial light ensure a connection to the geographical features likely used to define the unique geographical area represented by the appellation of origin. If a connection between a geographical feature and cannabis being cultivated is not maintained, that feature would not qualify to delineate the area as it would not meet the primary requirement that the geographical feature must affect cannabis production as stated in section 9106(a).

The removal of section=9106(d) requires minor changes to 9106(c) to make it grammatically correct. A period is inserted replacing a semicolon and the word “and” which previously connected 9106(c) to 9106 (d).

Article 3. Petition Review Process

Section 9202. Notice of Final Decision on Appellation of Origin.

Section 9202 details the activities taken by the Department after completing an evaluation of a petition to establish or amend an appellation of origin.

Subdivision 9202(a)(2) states that the designated parties of licenses issued by the department will be notified of the decision. This needs to be corrected as in this chapter the “department” refers to the Department of Food and Agriculture, but as a result of the passage of AB141, the DCC currently issues cultivation licenses.

Additionally, Bus. & Prof. Code section 26012, which gives the DCC the authority to issue cultivation licenses, is added to the references for section 9202.

Section 9203. Denial of Petition for Appellation of Origin.

Section 9203 details the reasons that the Department may deny a petition to establish or amend an appellation of origin.

Subdivision (a)(2) states a petition will be denied if the geographical features are not causally linked to the cannabis produced or that link is not maintained by specific standards, practices or cultivar as required by section 9106 subdivisions (c) and (d). This

reference to subdivision (d) needs to be removed for consistency with the proposed deletion of subdivision (d) from section 9106.

Article 4. Requirements for Use of an Appellation of Origin

Section 9301. Recordkeeping

The purpose of section 9301 is to specify that for each appellation of origin used in the advertising, labeling, marketing, or packaging of cannabis, cultivators must maintain documentation for seven (7) years demonstrating that all the cannabis was produced in the geographical area of the appellation of origin and according to all standard, practice, and cultivar requirements of the appellation of origin.

This section is necessary to provide clarity to cultivators that they are required to maintain records to demonstrate compliance with two statutory requirements; 1) that the cannabis was 100 percent produced within the area represented by the appellation of origin used, and 2) the cannabis was cultivated in conformity with all standards, practice, and cultivar requirements of the appellation of origin as described in the approved petition.

Record retention requirements are necessary to facilitate efficient assessment of compliance with Bus. And Prof. Code section 26063 and the appellation-specific standards, practices, and varieties, as complaints of misuse are not expected to be received in most cases until after a product has been harvested, processed, and prepared for retail sale. The recordkeeping requirements also facilitate the ability of local cultivator organizations to oversee the integrity of their appellation of origin. The Department chose to require that records be maintained for seven years for consistency with DCC's cultivation record retention requirements in Business Regulations Code section 15037.

Section 9302. Notice of Use for Appellation of Origin

The Department is adopting section 9302 to create a process by which licensed cultivators must notify the Department of their use of an appellation of origin in the labeling or packaging of cannabis and nonmanufactured cannabis products. This section

is necessary to provide the Department with aggregate usage data for monitoring and outreach related to the CAP and to facilitate compliance reviews, audits, inspections, and enforcement. This section will allow the Department to cancel an appellation that is not used for a minimum of five years which will prevent unused appellations from causing confusion in the marketplace.

The purpose of subdivision (a) is to define the timeline and process required for licensees to submit the Notice of Use to the Department. This subdivision is necessary to provide clarity on the timeline and process of submitting Notice of Use for an appellation of origin for commercial cannabis. The Department determined that a notification within 30 days of use is reasonable and consistent with similar state notification systems.

The purpose of subdivisions (b)(1) through (b)(4) is to specify the information that licensees are required to provide to the Department in a Notice of Use of an appellation of origin. This subdivision is necessary to ensure that the Department is provided sufficient information in the Notice of Use for CAP compliance reviews, audits, inspections, and enforcement.

Subdivision (b)(1) specifies that the Notice of Use must include the licensee's name and all cultivation license numbers, issued by the DCC pursuant to Bus. Regs. Code 15000.1, using the appellation of origin. This subdivision is necessary to allow the Department to track which licenses are producing commercial cannabis using the appellation of origin. The Department determined that the likelihood of multiple licenses held by a business using the same appellation of origin is significant, so the ability to include multiple license numbers in a Notice of Use filing will reduce the workload involved in filing notices of use for both licensees and the Department.

Subdivision (b)(2) specifies that a Notice of Use filing must contain a contact email address. This subdivision is necessary to allow the Department to communicate with the licensees. An email address was chosen as it is standard business information necessary to identify a business and business contact to enable interaction with the

person or business contact. Furthermore, an email address is already required from the licensee when applying for a cultivation license.

The purpose of subdivision (b)(3) is to specify that the appellation(s) of origin that the licensee used or intends to use must be identified in the Notice of Use. This subdivision is necessary to determine which appellation of origin(s) the licensee is using. The Department determined that allowing multiple appellations of origin in a single Notice of Use will allow cultivators and the Department to address nested or overlapping appellations in the most efficient manner.

The purpose of subdivision (b)(4) is to specify that the licensee must provide the date the appellation of origin will be used in a Notice of Use filing. This subdivision is necessary to allow determination of compliance with the requirement that a Notice of Use must be submitted within 30 days of use of an appellation of origin.

The purpose of subdivision (c) is to specify that a Notice of Use shall be valid for a period of three years, after which the licensee must submit a Notice of Use again if continuing to use the appellation of origin. This subdivision is necessary to specify the effective term of a Notice of Use and to ensure that information provided to the Department by submission of Notices of Use is current. Based on stakeholder input and the Department's assessment, three years was determined to be sufficient time for the Department to collect information on the use of appellations of origin and a reasonable timeframe for licensees to refile a Notice of Use.

Subdivision (d) clarifies that submission of a Notice of Use is not evidence of compliance with the standard, practice, and cultivar requirements for the appellation of origin. This subdivision is necessary to clarify to licensees that filing a Notice of Use with the Department is required for compliance, but it is not evidence of compliance of the appellation of origin requirements and does not replace the record retention requirement specified by section 9301 of this chapter. The Department determined this was necessary for enforcement and administration of the CAP.

Subdivision (e) specifies that if the Department has not received a Notice of Use filing for a specific appellation of origin during a period of five years, the Department has discretion to cancel the appellation of origin. This subdivision is necessary to provide the Department with a mechanism to cancel an inactive appellation of origin if it determines that its continued protection would degrade the value of the CAP by saturating it with inactive appellations of origin potentially confusing consumers. Further, there may be an impediment to clear communication of the origin of cannabis to consumers if the Department did not have the discretion to cancel appellations of origin not currently in use. The Department determined that five years was a reasonable amount of time after which the Department could cancel an appellation of origin because it is the two years longer than three-year notice requirement and would allow sufficient time after the three-year period to notify all stakeholders historically involved with that appellation of origin.

The purpose of subdivision (e)(1) is to provide clarity to cultivators regarding how and when the Department will notify cultivators of the Department's intent to cancel an inactive appellation of origin. This subdivision is necessary to ensure that cultivators are aware of how and when they will be notified of cancellation of an inactive appellation of origin.

ECONOMIC IMPACT ANALYSIS/ASSESSMENT

California Government Code sections 11346.3 and 11346.5 require state agencies to assess the potential economic impacts on California businesses and individuals when proposing to adopt or amend any administrative regulation. The economic and fiscal impacts of the proposed amendments to regulations are disclosed in Attachment 1 (Standard Form 399, Economic and Fiscal Impact Statement (STD 399)).

Based on the economic analysis, it is not anticipated the proposed amended regulations will affect to any significant degree:

- 1) the creation or elimination of jobs in California.
- 2) the creation of new businesses or the elimination of existing businesses within California.
- 3) the expansion of businesses currently doing business in California.

4) the health and welfare of California residents, worker safety, and the state's environment.

During the initial development of CAP regulations, the Department conducted an Economic and Fiscal Impact Analysis (EFIA) encompassing all the proposed CAP regulations. That analysis included the regulatory sections that are currently proposed. So, these proposed regulations do not change the conclusions of the EFIA on the overall creation of the CAP. The proposed amendments to the regulations are intended to ensure that the benefits detailed in that analysis are achieved by the program. They are primarily administrative and when assessed independently, they have little economic or fiscal impact.

Costs and Benefits of the Proposed Regulation

The proposed amendments define the statutory requirement that to use an appellation of origin cannabis must be 100 percent produced in an appellation of origin and require the cultivator to maintain records demonstrating that compliance. They also require the cultivator to notify the department of the use of an appellation of origin in labeling, marketing or advertising of cannabis. The recordkeeping requirement does not incur any significant additional costs for the cultivators, as the requirements for each individual activity are consistent with licensing requirements. This recordkeeping requirement provides clarity, requiring that records for those individual licensed activities (e.g., cultivation and processing) are kept in aggregate by cultivators using an appellation of origin for the benefit of promoting efficient assessment of compliance with appellation of origin requirements both on the state and local level. The Notice of Use is only required once every three years and involves minimal data, specifically; the licensee, the name of the appellation used, and date started. The benefits of having this information for the Department, and the DCC in enforcement actions far outweigh the minimal cost.

No additional fiscal impacts are created by the proposed amendments. The Department determined that any additional staff time resulting from the adoption of the proposed amendments can easily be conducted by existing personnel. The proposed

recordkeeping requirements will likely decrease state personnel time spent assessing compliance of potential enforcement of misuse of an appellation.

INFORMATION RELIED UPON

The Department referred to the following studies and reports while developing the proposed amendments to the regulations for the CAP:

- California Department of Food and Agriculture, Initial Statement of Reasons, CCR Title 3. Division 8. Chapter 1. Cannabis Cultivation Program and Chapter 2. Cannabis Appellations Program, February 20, 2020
- California Department of Food and Agriculture, Final Statement of Reasons. CCR Title 3. Division 8. Chapter 1. Cannabis Cultivation Program and Chapter 2. Cannabis Appellations Program, November 23, 2021
- ERA Economics, Cannabis Appellations Program Regulations, Economic and Fiscal Analysis, December 16, 2019

MANDATED USE OF TECHNOLOGY

The proposed regulations do not mandate the use of any technology other than the use of e-mail to communicate and to file Notice of Use of an appellation of origin with the Department. Cultivators are already required to have an email to obtain a license from the DCC. The Department determined that mandating email as the sole method of Notice of Use filing is not overly burdensome to cultivators since it occurs only once every three years and allows the Department to avoid charging a fee for filing which otherwise might be necessary to accommodate the additional staff workload of processing paper Notice of Use filings.

CONSIDERATION OF REASONABLE ALTERNATIVES

To gain stakeholder input regarding the CAP in general, the Department held outreach events throughout the state allowing for broad public input and subsequently held more focused working group meetings with representatives of cultivator groups. Comments received during both were considered during the development of the appellations of origin regulations, including these proposed amendments. Those comments and suggestions that were not considered either conflicted with existing statute, were not

reasonable to adopt, or were determined to not be necessary for the functioning of the CAP. The Department also conducted outreach to industry experts in order to benchmark industry data and to understand the economic impact of components of the regulations.

The primary alternative for each of the proposed sections is to not include them in the CAP. The Department determined that for each of those sections that option would weaken the program and lessen the probability of achieving the potential benefits of an appellation program as described above.

The Department considered allowing each petition to describe which cultivation activities would be included in their definition of produced. This would result in confusion in the marketplace regarding what is represented by an appellation of origin. It renders the statutory requirement that an appellation of origin may only be used if 100 percent of the cannabis was produced within the area represented by the appellation as meaningless because produced could have a different meaning throughout the state.

The Department considered not reintroducing clear recordkeeping requirements for production activities but determined that would greatly increase the state's effort in assessing compliance when enforcement issues arise. Unlike American wine appellations (the American Viticultural Area designation), use of a cannabis appellation requires conformity to specific standards practice and cultivars as described in the petition for an appellation. Not including recordkeeping requirements to show compliance with appellation-specific standards, practices, and cultivars could result in confusion resulting in situations where cultivators think they only need to maintain records on where the production activities occurred. This amendment makes it clear that in order for cultivators to use an appellation of origin, they must maintain records of both where and how the cannabis was produced.

Not requiring submission of a Notice of Use would result in a lack of information available to the Department to assess the progress and impact of CAP. This would be most apparent if the department had no knowledge of unused appellations of origin. Without information on the use of appellations of origin, such a scenario would cause confusion in

the marketplace, lessening the value of an appellation of origin, and potentially prevent cultivators and communities from realizing the benefits of an appellation of origin. The lack of information on the use of an appellation of origin would also be an obstacle for local cultivator organizations working to protect and promote their appellation. These groups will not have access to the state's tracking system for commercial cannabis and will have difficulty protecting the integrity of their appellation of origin without knowledge of its' use.

The Department considered an alternative approach to track usage of appellations of origin such as certification by the Department prior to use. However, the Department determined that the costs to administer certifications would require a fee, which would contribute to barriers of entry, particularly on small cultivation businesses. Not adding potentially burdensome certification costs will result in greater equity for the industry regarding the appellations program. The Department also considered an alternative approach of self-certification by cultivators. However, the Department determined that a Notice of Use filing would provide administrative benefits to the program not achieved under self-certification, including the opportunities for program oversight and proactive compliance inspections and records audits.

Resulting decisions were based on the Department's authority, the most effective means in pursuing the goals of the CAP, minimizing adverse impacts on small business, and minimum required regulations to enable effective functioning of the CAP. However, no reasonable alternative options considered or otherwise identified and brought to the attention of the Department would be more effective in carrying out the purpose for which the action is proposed or would be as effective as and less burdensome than the proposed regulation. Pursuant to Government Code Section 11346.9(a)(5), if anyone proposes an alternative that would lessen the adverse economic impact on small businesses, the final statement of reasons will include an explanation setting forth the Department's reasons for accepting or rejecting the proposed alternatives.