Twelve provisions in CAA's draft California funding and service agreements that haulers and MRF operators may find surprising

Circular Action Alliance has posted consultation drafts of the **California Funding and Services Agreement** and three **Project Schedules** (Capital Investment, Cost Reimbursement, Services). These are the contracts every hauler and MRF operator will sign to be reimbursed under SB 54. They read less like a reimbursement program and more like a secured credit facility. Public comments are open through **October 24, 2026**.

1. **Signing the capital funding schedule grants CAA a first-priority lien on your equipment.**
The Capital Investment Schedule grants CAA "a continuing first priority lien and security interest" in every funded asset, plus proceeds, replacements, accounts, and insurance proceeds, with irrevocable authority to file UCC financing statements. Under most credit agreements, granting that lien without your lender's prior consent is an event of default. Capital Investment Schedule Sections 6, 7, 8.

2. **CAA can repossess funded equipment without a court order and without notice.**
Remedies on default include taking possession of collateral "without demand or notice, without court order or other process of law," rendering it unusable, and charging fair-market rent for each day it is not returned. Capital Investment Schedule Section 12.

3. **The better your project's return, the less of it CAA funds.**
The fundable amount is net of "cost savings, or other economic benefit of any kind," from any source, "whether received before, contemporaneously with, or after" disbursement. Labor savings from a new optical sorter reduce the funding for the sorter, and the netting is never final. Federal tax credits and trade-in value are deducted too. Capital Investment Schedule Section 1(b).

4. **Moving a funded truck to another yard can trigger repayment of 100 percent of the funding.**
Funded assets must stay in the named jurisdiction. Removing one without CAA's written approval at least 60 days in advance requires immediate reimbursement of the full funded amount, with no credit for years of eligible service already delivered. Agreement Section 5(d); Capital Investment Schedule Section 4.

5. **If an audit finds one ineligible dollar, you pay for the whole audit.**
CAA may audit your records on ten business days' notice. If the audit reveals funds used for any expense that is not a Covered Cost, you reimburse CAA's full cost of the audit within 30 days. There is no materiality threshold. Agreement Section 8.

6. **An approved funding request can be nullified later, with no time limit.**
CAA may "nullify any previous approval" based on subsequently discovered information if the request was "incomplete, inaccurate," or if performance is not in "full compliance" with the Agreement. Approved is not final. Agreement Section 4(d).

7. **You have no expectation of confidentiality in anything you report, and CAA takes a license to publish it.**
The recipient "shall have no expectation of confidentiality," CAA owns the reports it prepares from your data, and you grant a license to publish your information "at any time, in whole or in part." What you report includes daily scale tickets, tip fees, revenue per ton, customer counts, routes, and the identity of every end market you sell to. Agreement Section 7; Cost Reimbursement Schedule Exhibit C.

8. **CAA can declare force majeure if producers do not pay their fees.**
The definition of Force Majeure Event includes "lack of funding due to nonpayment of membership fees in the form of producer fees or other fees owed to CAA California." The paying party is excused when its own members do not pay. The statute requires the PRO to fully fund service provider costs. Agreement Section 1; PRC Section 42060(a)(1).

Prepared from the CAA California consultation drafts posted August 2026, 14 CCR Section 18980.8 (final text May 5, 2026), and PRC Sections 42051.1 and 42060. Section numbers for the Agreement follow the updated draft currently posted. This is an issue summary for operators and their advisors, not legal advice.

9. **CAA makes no commitment to any volume of work or compensation, and may do the work itself.**
CAA "makes no representation or warranty as to the nature, timing, quality, quantity, or volume of Services... or the amount of compensation, if any," and reserves the right to contract with others or perform the services internally. Agreement Section 3(f).

10. **Payment is 60 days from invoice, while Oregon pays in 45 days from request, and only you owe interest.**
The Services Statement of Work pays 60 days after a month-end invoice. Oregon's statute requires payment within 45 days of the provider's request. The drafts define an interest rate on money you owe CAA and none on money CAA pays late. Services Schedule Exhibit A Section 5; Capital Investment Schedule Section 3; ORS 459A.923.

11. **You must keep performing disputed work while a dispute runs, and CAA can force you into arbitration.**
You continue providing the disputed services while CAA pays only undisputed amounts, with no interest. Either party can trigger mediation and binding arbitration follows in Sacramento with fees split. The regulation gives that election to the service provider alone and says the PRO cannot require it. Agreement Section 14; 14 CCR Section 18980.8(h)(4) and (h)(6).

12. **You indemnify CAA for the consequences of CAA denying your funding.**
You defend and indemnify CAA for claims relating to your receipt of funds "or CAA California's denial thereof." The duty to defend starts when a claim is noticed, before any suit, and you must keep financial resources sufficient in CAA's discretion for five years after the agreement ends. Agreement Section 13(a).

One you will like

The regulation's only date limit on covered costs is that costs incurred before January 1, 2023 are not covered. Capital you committed since then may be eligible. The drafts do not say how pre-agreement costs will be treated or what documentation proves an investment was made for SB 54, which is exactly the kind of thing to ask for in a comment. 14 CCR Section 18980.8(g)(1); Capital Investment Schedule Section 15 (silent).

And the blanks

The interest rate on anything you owe CAA, the number of days you have to repay, insurance limits, bond amounts, standard rates, and escalation percentages are all bracketed placeholders. You are being asked to comment on, and will eventually sign, a cost arrangement whose prices are not yet filled in. The statute conditions curbside program design on the provider agreeing to the cost arrangement. PRC Section 42051.1(l)(1)(C).

Before October 24

1. Read the four drafts at circularactionalliance.org/ca/funding-services-agreement-project-schedules. Make sure your copy of the Agreement is the updated version (file name ending "updated"); the first version posted had different section numbering.
2. Send items 1, 2, 4, and 7 to your lender and your counsel. The lien and loss-payee provisions touch your credit agreement directly.
3. Submit comments through the form on the same page. One comment per submission. Each Schedule states that Applicable Law controls over the contract, so provisions narrower than the regulation are the strongest targets.

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