

# Financing Recycling Programs and Facilities: Understanding Options and Resources



## Introduction

This document offers an overview of the current methods that local agencies use to fund their recycling programs and how the public and private sectors are financing recycling facilities. Paying for local agency recycling *programs* generally relies on traditional local agency approaches. Paying for recycling *facilities*, however, is an evolving practice that often combines public and private financing resources and has to respond to changing conditions.

Funding for recycling programs is quite different from funding for recycling facilities. Recycling programs require ongoing funding that has some level of stability even with variable markets and changing levels of diversion/recycling. The first section of this paper describes funding methods that are commonly used for programs, and in particular the problems with sustainable funding in programs that mask or subsidize the cost of the recycling. For facilities, it is primarily a one-time investment - the building and infrastructure on the ground. This second section provides a list of funding sources, with brief descriptions, of where agencies and private firms can go, including some more creative ideas that come from the current expanded understanding of the widespread.

### What is a Recycling Facility?

As used in this document, recycling infrastructure refers to a broad range of facilities that support recycling. These include, for example, facilities that collect, sort and process recyclable materials, turn organics/green waste into compost or fuels, or use recycled materials in manufacturing. For more information about the types of recycling facilities see, [“Primer on Recycling Facilities.”](#)

## Funding Local Agency Recycling Programs

Most local agencies pay for the costs of administering their recycling programs through a combination of ways. This includes those agencies that provide the service themselves or provide it through a franchise, contract or permit system. Common approaches include one or a combination of the following funding mechanisms. This document explains each.

- User fees/rates on the collection of trash, recyclables and organics/green waste.
- Franchise fees on solid waste and recycling service providers.
- Solid waste facility gate (“tipping”) fees.

- Local agency “host” fees on recycling or disposal facilities.
- Sale of recyclable materials.
- Agency’s general fund.
- Other mechanisms, such as locally imposed taxes.

### **A Few Words about Propositions 218 and 26**

California voters approved Proposition 218<sup>1</sup> in 1996 and Proposition 26<sup>2</sup> in 2010. These laws affect how public agencies adopt fees and taxes. As described here, they may or may not affect the imposition of or increase in solid waste and recycling fees.

**Proposition 218.** Proposition 218, named “the Right to Vote on Taxes Act,” requires, among other provisions, voter approval for the imposition of new, extended or increased local taxes.<sup>3</sup> Proposition 218 also adds new requirements related to the adoption of fees for property-related services.<sup>4</sup> Water, sewer and refuse services provided by agency employees are property-related services, and are therefore subject to these requirements. Proposition 218 requires that notice of the proposed fee be mailed to ratepayers. This notice must be sent at least 45 days before a public hearing on the proposal.<sup>5</sup> If a majority of owners of the affected properties present written protests against the proposed fee before the end of the hearing, the agency cannot impose the fee.<sup>6</sup> Some fees (but not water, sewer or refuse collection fees provided by agency employees) also require voter approval.<sup>7</sup> When billed directly for services rather than as a flat fee based on property ownership, some fees may not fall under these requirements. For more information see the League of California Cities “[Proposition 218 Implementation Guide](#),” available online.

**Proposition 26.** Proposition 26 added a definition of the term “tax” to the California State Constitution.<sup>8</sup> Under this definition, certain regulatory fees that are imposed by a local government are classified as taxes, making them subject to the voter approval provisions of Proposition 218.<sup>9</sup> Proposition 26 exempts seven types of local fees and charges. Examples of exempted charges include: fines and penalties for violations of law,<sup>10</sup> entrance fees to government property (such as an agency-owned solid waste disposal site),<sup>11</sup> property development fees (such as traffic impact fees, construction and grading fees),<sup>12</sup> license and permit fees,<sup>13</sup> and fees covered by Proposition 218.<sup>14</sup> Solid waste and recycling fees that are subject to Proposition 218 are not considered taxes under Proposition 26.<sup>15</sup>

To learn more about this subject, please see the ILG- produced “[Financing Recycling Programs: Applying Existing California Law](#)” webinar and accompanying presentation documents.

### **User Fees for Services Provided by Agency or Franchisee**

Local agencies that provide solid waste and recycling collection services themselves charge fees for the services.<sup>16</sup> As with other fees charged by local agencies, these fees may only reflect the reasonable cost of providing the service.<sup>17</sup> In many cases the agency chooses to not provide the service directly, but to contract with a private firm as a franchise, or have a variety of permitted haulers. Where solid waste and recycling services are provided through a franchise, the fees charged to customers are generally established in the franchise agreement.<sup>18</sup>

Whether or not fees for refuse collection and related services are covered under Proposition 218's procedural requirements is the subject of some debate among attorneys because there is no definitive court decision providing clear legal guidance.

- Most agree that fees charged by an agency that provides refuse and recycling collection services with its own staff are subject to Proposition 218 requirements such as public notice, but not the voter approval provisions.<sup>19</sup> An agency must analyze which part of the fee, if any, is or is not property related. Only the portion of the fee that is property related would be subject to Proposition 218.<sup>20</sup>
- Opinions differ when solid waste and recycling services are provided by a franchisee.<sup>21</sup> The analysis of whether the procedural requirements of Proposition 218 apply when a service is provided by a franchisee is determined by whether *the agency* “imposes” the fee or charge.<sup>22</sup> Since each franchise is different, it is important to closely review the terms of the franchise agreement and the agency’s ordinance regulating refuse collection.<sup>23</sup>
- Like other local government fees and charges, Proposition 218 generally requires that fees or rates not exceed the cost of providing the service and that revenue should be used only to provide the service.<sup>24</sup>

In addition, existing law authorizes local agencies to charge fees to cover the cost of implementing the California Integrated Waste Management Act of 1989 – also known as AB 939.<sup>25</sup> However, agencies must ensure that the person who pays the fee receives a “service or product.” Prior to Proposition 26, some agencies charged a fee for recycling or otherwise for the purpose of reducing landfill disposal. Such a fee is now considered a “tax” requiring voter approval unless it was adopted prior to November 3, 2010 (when Proposition 26 became effective). If these existing fees are increased or extended, however, they may be subject to Proposition 26.

If a local agency requires a franchisee to pay the AB 939 fee, rather than requiring the franchisee to collect the fee from the user on behalf of the agency, the fee should be evaluated in the same manner as other franchise fees to determine whether Proposition 26 applies.<sup>26</sup> AB 939 fees that are imposed directly on the consumer by the agency and collected by the franchisee will need to fall within one of the stated exceptions or else be considered a tax under Proposition 26.<sup>27</sup> Because of the complex nuances of these laws, and the significant timeline impact of voter approval requirements, it is important for agencies to understand them so that they can make informed decisions about their fees and methods for collecting them.

## **Franchise Fees on Recycling and Solid Waste Service Providers**

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California law gives cities and counties broad authority over solid waste matters, including whether the services are provided by the agency itself, or by exclusive or non-exclusive franchise, contract, permit or license.<sup>28</sup> Solid waste matters generally include recycling services as well, except that individuals (including businesses) may donate or sell recyclable materials themselves that they have not yet discarded.<sup>29</sup> In the 1990s, a number of cities argued that a city's recycling franchisee had the exclusive right to pick up all material that could be recycled from residents and businesses. Cities ultimately lost this

argument in the courts.<sup>30</sup> The court said that (1) the California Integrated Waste Management Act did not apply to undiscarded recyclables, and (2) the owner of those materials has right to sell undiscarded recyclable materials. This means that any company (not the city's franchisee) has the right to "buy" the "undischarged recyclable materials" from the owner (business or resident). For example, a resident can take their bottles and cans down to the local recycling buy-back company rather than put them on the curb to be picked up by the city's recycling franchisee.

When a local agency enters into a franchise agreement with a private solid waste or recycling company to provide services, the local agency may charge the company a franchise fee. The amount of the franchise fee is negotiated between the local agency and the franchisee. Unlike user fees (discussed in the previous section), the franchise fees are generally treated as general revenues and are not limited to use for integrated waste management activities. The writing of the franchise agreement is therefore extremely important, as it can provide the agency with increased flexibility with overall budgeting.

## Tipping Fees

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Tipping fees (sometimes called gate charges) are fees charged at a solid waste facility, such as a landfill, when a truck "tips" its load for disposal or recycling. The fee is paid by the individual bringing in the load of trash/recyclables and is generally based upon a given quantity or weight of material received. Tipping fees generally are used to recover the costs of operating the facility. Both publically and privately owned facilities charge tipping fees; in some cases, these fees are used to offset costs elsewhere in the system (e.g., for collecting recyclables). Landfill tipping fees are generally considered exempt from the definition of "tax" under Proposition 26, and therefore not subject to voter approval provisions of Proposition 218.<sup>31</sup>

**Reminder:** The material in this guide is offered for information purposes only and should not be construed as legal or financial advice. Public officials should consult with their attorneys on their specific legal issues.

## Host Jurisdiction Mitigation Fees on Recycling or Disposal Facilities

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Some agencies charge a "host fee" on the owner or operator of recycling or disposal facilities within the jurisdiction. Host fees are charged to mitigate the impact of the facility on the community in which it is located. Impacts might include, for example, traffic, noise and dust. If a "host fee" is imposed as a development impact fee, then the fee is not a "tax" requiring voter approval. However, a "host fee" imposed in some other way and after November 3, 2010, is considered a tax that requires voter-approval under Proposition 26.

## Sale of Recyclable Materials

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Many local agencies receive revenue through the sale of recyclable materials collected from residential and commercial customers. The amount of revenue varies, depending upon the value and markets for the recycled materials. As with most goods, the amount that they are worth usually depends on how much demand there is for them. The level of demand can vary based on many things including time of year, new technology and the health of the economy as a whole. The main exception to this is when there is a

deposit on an item, like California Redemption Value (CRV), where the value is set by state law, rather than demand.

If the agency provides the collection services itself, it receives the revenue directly when it sells the recyclable materials. If the agency has a contract or franchise agreement with a private service provider, it can receive the revenue from its service provider or directly from the processor/material recovery facility where the materials are processed. In some cases, the contract or franchise agreement specifies that the revenue received by the service provider from the sale of recyclable materials be used to reduce the fees charged to residential and business customers.

## Other Funding Sources

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Other ways that local agencies pay for their recycling programs include the agency's general fund, parcel taxes, voter approved ballot measures and state agency grants and loans. The funding sources may include:

- **California Beverage Container Recycling and Litter Reduction Act.** All local agencies receive some funds from the California Beverage Container Recycling and Litter Reduction Act (also known as the Bottle Bill or by its legislative bill number, AB 2020)<sup>32</sup> to help pay for local recycling programs; some can receive additional curbside supplemental payments.
- **General Fund.** A few agencies pay for all or part of recycling and solid waste collection services through their general funds.<sup>33</sup>
- **Parcel/Excise Tax/Fee.** A few local agencies pay for recycling and solid waste collection services through an excise tax imposed as a "special tax" which requires 2/3 voter approval. An excise tax, such as a parcel tax, is an annual tax based upon either a flat per-parcel rate or a rate that varies depending upon the size, use and number of units on a parcel.<sup>34</sup> This can cover just the cost of operating the landfill/processing facility (similar to a gate fee) or the cost of collection services as well.
- **State Agency Grants and Funds.** Many local agencies receive grants or funds from state agencies for recycling programs and facilities. These include grants to purchase waste and recycling bins for public places (like parks, community centers or downtown plazas), conduct outreach to residents and businesses, or support collection events and programs.
- **Voter Approved Surcharge.** Some local agencies have additional fees or surcharges imposed through the voter initiative process. For instance an additional charge per ton could be added to all waste disposed at a county's landfills to fund recycling programs within the county. Any California voter can put an initiative on the ballot, each city and county may have their own guidelines for initiatives (contact your city or county for more information).
- **Mitigation and Violations.** Local agencies charge fees for the mitigation of impacts and as penalties for violations. Examples include: fees for removing waste from the city or county rights-of-way, fees for inspecting and mitigating other waste related damage from run-off, and fees as a result of violations of the National Pollutant Discharge Elimination System (NPDES) permit program, which controls water pollution by regulating point sources that discharge pollutants into waters of the United States.

- **Cost Savings.** Long term integrated waste management systems can also consider cost savings from strong recycling programs in future budgeting, including reductions in landfill growth and transportation charges. There is also cost savings in the field of waste management due to extended producer responsibility (EPR)<sup>35</sup> which can take the form of reuse, buy-back or recycling programs paid for by the producer of the product (for example, carpet, ewaste, fluorescent lighting, batteries, mattresses, paint, pharmaceuticals).

### **Caution: Diminishing Revenues Ahead!**

The exciting news is that California residents and businesses are recycling more, due to a combination of customer education, environmental awareness, local and state mandates and pricing incentives. The health, economic and climate benefits of increased recycling rates are great, but the risks to the revenues that pay for the service are real. Over the past 20 years, as a way to encourage recycling, many agencies and solid waste and recycling service providers have not charged for recycling services or charged a lower rate than the actual cost to provide the service. In addition, in some situations, revenue from larger volume solid waste users have subsidized the recycling services provided to lower volume customers so that they receive it at low or no cost.

However, as more people recycle more material and reduce the size of their garbage containers, revenues to support recycling services and basic solid waste systems will decline. Even with reduced costs resulting from smaller and fewer landfills, the revenue from refuse collection services may no longer be sufficient to support free or below-cost recycling services to a larger number of customers.

Complicating the situation even more is the fact that in some communities, the charges for collection and processing of recyclables (including organic wastes) are included in one overall sanitation or solid waste charge. This has the effect of masking the true cost of the elements, causing many customers to believe that recycling is “free”. Those communities that use a bill that show all services and costs/fees for each may have more options to address this problem than those whose residents pay a flat “garbage bill” rate.

The impacts of the decline in revenue (and the implications of hidden recycling costs) will vary among agencies, as will options to consider for responding. Consumer education, long term rate stabilization policies, charging the true cost of all service and identifying all elements of the “garbage bill” are some options being evaluated.<sup>36</sup>

For more resources about understanding this issue, please see CalRecycle’s series of “High Diversion Rates and Compensation” workshop materials:

- [October 9, 2013 Workshop](#), which features presentations from Marin County and Alameda County’s Stopwaste.org;
- [November 7, 2013 Workshop](#), which features presentations from the City of Santa Monica, Kern County, the Pacific Northwest;
- [December 10, 2013 Workshop](#), which features presentations from Napa County, San Joaquin County, and Tehama County/ City of Red Bluff.

Each workshop also featured general presentations on collection rates and compensation, communicating rate information to residents, the RFP process, and post-collection business models.



# Financing Recycling Facilities

Recycling infrastructure includes two types of facilities: (1) facilities to collect and process recyclable materials and green/organic wastes, and (2) manufacturing facilities that produce products made of recycled content. Both public agencies and private companies construct, own and operate recycling facilities, such as material recovery, anaerobic digestion and composting facilities. These facilities generally are financed by one or more methods. These include:

- Bonds,
- Public agency funds,
- Public-private joint funding, and
- State agency grants and loans.

It is generally private companies that build factories that use recycled materials in the manufactured products. In addition to traditional financing mechanisms for private factories, such facilities may be eligible for certain grant and loan programs. For example, Recycling Market Development Zones offer loans to assist businesses that use recycled content. (See page 9 for more information about Recycling Market Development Zones.)

## Financing Information and Resources for Recycling Facilities

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The following offers information on many of the key funding resources for recycling facilities. It is a starting point for consideration of option and opportunities.

### **California Statewide Communities Development Authority (California Communities)**

The California Statewide Communities Development Authority (also referred to as California Communities or CSCDA) is sponsored by the League of California Cities and the California State Association of Counties. Founded in 1988, under California's Joint Exercise of Powers Act, it provides California's local governments with a tool for financing of community-based public benefit projects. Besides financing for public agency programs, California Communities also provides [financing for private activity projects](#). These include certain types of solid waste facilities.

## State of California Financing Resources

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The State of California offers a variety of financing assistance and resources for local agencies and businesses, including those proposing recycling infrastructure. The following highlights the key programs available.

### **CalRecycle Grants and Loans**

The California Department of Resources Recycling and Recovery (CalRecycle), with authorization through legislation, offers numerous funding opportunities. This funding is for both public and private entities to help them in the safe and effective management of the waste stream. Most of CalRecycle's grants are not for investments in manufacturing infrastructure, with the exception of Greenhouse Gas Recycling Fund grants (see next entry).

### **Greenhouse Gas Recycling Funds to Support Recycling Infrastructure**

The Governor's 2014-15 Budget included \$25 million from the Greenhouse Gas Recycling Fund for CalRecycle to provide financial incentives for capital investments in composting/anaerobic digestions infrastructure and recycling manufacturing facilities that will result in reduced greenhouse gas emissions.

### **Recycling Market Development Zone Loans**

Recycling Market Development Zones (also referred to as RMDZs) provide loans and technical assistance to businesses that use recyclable materials to manufacture their products. Qualified businesses wishing to locate in a zone may receive low interest loans and technical assistance from RMDZ administrators.

### **California Capital Access Program (CALCAP)**

The California Capital Access Program (CalCAP) was created in 1994, and is run by the California Pollution Control Financing Authority (CPCFA). The program encourages banks and other financial institutions to make loans to small businesses that have difficulty obtaining financing. Since inception, CalCAP lenders have cumulatively loaned over \$2.2 billion.

### **California State Treasurer's Office of Alternative Energy and Advanced Transportation Financing Authority**

The California Alternative Energy and Advanced Transportation Financing Authority (CAEATFA) provides financing for facilities needed to develop and commercialize advanced transportation and alternative energy technologies that reduce air pollution, conserve energy and promote economic development and jobs. Processing facilities that produce alternative energy may qualify for funding through their programs.

### **Collateral Support Program (CSP) (part of CALCAP)**

The California Capital Access Program Collateral Support (CalCAP CS) pledges cash to cover the collateral shortfall of loans of \$100,000 or more. CalCAP CS provides up to 40% of the loan value, with the possibility of an additional 10% for businesses located in a Severely Affected Community.

### **California Competes Tax Credit**

The California Competes Tax Credit is an income tax credit available to businesses that wish to locate or expand in California. Tax credit agreements will be negotiated by Office of Business and Economic Development (also known as GoBiz) and approved by a newly created "California Competes Tax Credit Committee."

### **Air Quality Improvement Program**

The Air Quality Improvement Program (AQIP)<sup>37</sup> is a voluntary incentive program administered by the Air Resources Board (ARB) to fund clean vehicle and equipment projects, research on biofuels production and the air quality impacts of alternative fuels, and workforce training.

### **Manufacturing Sales and Use Tax Exemptions**

Beginning July 1, 2014, manufacturers and certain research and developers that meet specified conditions may be eligible to obtain a partial exemption of sales and use tax on certain manufacturing and research and development equipment purchases.



## **California Small Business Loan Guarantee Program (SBLGP)**

The California Small Business Loan Guarantee Program (SBLGP) is administered by the Business, Transportation and Housing Agency and works to help businesses create and retain jobs, while at the same time encouraging investment into low- to moderate-income communities. Recognizing that small businesses are the backbone of the state's economy and the main drivers of private job creation, the SBLGP enables small businesses to not only obtain a loan it could not otherwise obtain, but to establish a favorable credit history with a lender. With that, the business may obtain further loans on its own, without the assistance of the program.

## **Other Financing Resources**

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### **Self-Generation Incentive Program**

The Self-Generation Incentive Program (SGIP) provides incentives to support existing, new and emerging distributed energy resources. The SGIP provides rebates for qualifying distributed energy systems, including biogas, generated by public or private producers. Each of California's four investor owned utilities offer financial incentives for biogas as part of this program.

### **Other Financial and Economic Incentives**

The categories listed on this page are financial economic incentives and disincentives that are either currently applied or could be applied to increase diversion of organics and other recyclable materials. These categories focus on incentives and programs that are not offered by the CalRecycle.

## **Other Helpful Information from the State of California**

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### **State of California Business Investment Guide**

The State of California Business Investment Guide is a reference document that highlights new state-sponsored initiatives and incentives as well as existing technical and financial assistance programs in effect as of September 2013. The Guide is updated periodically.

### **CalGold**

The California Government Online to Desktops (CalGOLD) website assists businesses with the information needed to comply with environmental and other regulatory and permitting requirements. CalGOLD offers direct internet links and contact information to state, local, regional and federal permitting authorities for more information.

### **GoBiz**

The Governor's Office of Business and Economic Development (GO-Biz) serves as California's single point of contact for economic development and job creation efforts.

### **CoolCalifornia Funding Wizard**

Offers web-based information to help find grants, incentives and other funding resources for sustainability projects.

### **California Energy Commission**

Offers a variety of different funding programs related to energy.

## Resources to Learn More

[\*Building a Green Economy: The Recycled Market Development Zone Program Provides Help and Resources.\*](#) *Western City Magazine*. May 2009.

[California Statewide Communities Development Authority \(financing for private activity projects\)](#)

[California Pollution Control Financing Authority](#)

[Greenhouse Gas Reduction Grant and Loan Programs](#)

[High Diversion Rates and Compensation Workshops.](#) CalRecycle. Fall 2013.

[click on workshop information at bottom right]

[\*Proposition 26: An Executive Summary for The Layperson.\*](#) *Western City Magazine*. March 2011.

[\*Proposition 26 Implementation Guide.\*](#) April 2011. League of California Cities.

[\*Proposition 218 Implementation Guide.\*](#) 2007 Edition. League of California Cities.

[Recycled Market Development Zone Assistance](#)

[\*Understanding the Basics of County and City Revenue.\*](#) Institute for Local Government.

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## Endnotes

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<sup>1</sup> Cal. Const. arts. XIII C, XIII D. For more detailed discussion of Proposition 218, including its application to solid waste or recycling fees, see *Proposition 218 Implementation Guide* 53, 59-62 (2007), League of California Cities, available at [www.cacities.org/Resources-Documents/Member-Engagement/Professional-Departments/City-Attorneys/Publications/Proposition-218-Implementation-Guide-\(2007\)](http://www.cacities.org/Resources-Documents/Member-Engagement/Professional-Departments/City-Attorneys/Publications/Proposition-218-Implementation-Guide-(2007)).

<sup>2</sup> See Cal. Const. art. XIII A § 3(b), Cal. Const. art. XIII C § 1(e).

<sup>3</sup> See Cal. Const. art. XIII C § 2.

<sup>4</sup> See Cal. Const. arts. XIII C, XIII D.

<sup>5</sup> See Cal. Const. art. XIII D §§ 6(a)(1)-(2).

<sup>6</sup> See Cal. Const. art. XIII D § 6(a)(2).

<sup>7</sup> Cal. Const. art. XIII D § 6(c).

<sup>8</sup> See Cal. Const. art. XIII A § 3(b), Cal. Const. art. XIII C § 1(e).

<sup>9</sup> See Cal. Const. art. XIII C.

<sup>10</sup> Cal. Const. art. XIII C § 1(e)(5).

<sup>11</sup> Cal. Const. art. XIII C § 1(e)(4).

<sup>12</sup> Cal. Const. art. XIII C § 1(e)(6).

<sup>13</sup> Cal. Const. art. XIII C § 1(e)(3).

<sup>14</sup> Cal. Const. art. XIII C § 1(e)(7).

<sup>15</sup> Cal. Const. art. XIII C § 1(e)(7).

<sup>16</sup> See Cal. Pub. Res. Code § 40059.

<sup>17</sup> Cal. Const. art. XIII C § 1(e)(2).

<sup>18</sup> Private solid waste service providers who operate through a contract, license or permit also set and charge fees directly for their services.

<sup>19</sup> League of California Cities, *Proposition 218 Implementation Guide* 59-60 (2007). See *Richmond v. Shasta Community Services Dist.*, 32 Cal.4th 409 (2004); *Bighorn-Desert View Water Agency v. Verjil*, 39 Cal.4th 205 (2006); *Paland v. Brooktrails Twp. Community Services Dist. Bd. of Directors*, 179 Cal.App.4th 1358 (2009).

<sup>20</sup> See *City of Dublin v. County of Alameda*, 14 Cal.App.4th 264 (1993).

<sup>21</sup> League of California Cities, *Proposition 218 Implementation Guide* 59 (2007).

<sup>22</sup> League of California Cities, *Proposition 218 Implementation Guide* 60 (2007).

<sup>23</sup> League of California Cities, *Proposition 218 Implementation Guide* 60-61 (2007). Note: Cal. Pub. Res. Code § 40059.2 makes contract provisions that indemnify a local government agency for violations of Proposition 218 provisions unenforceable.

<sup>24</sup> Cal. Const. art. XIII D § 6(b)(1)-(2).

<sup>25</sup> See Cal. Pub. Res. Code §§ 41901, 41902.

<sup>26</sup> See League of California Cities, *Proposition 26 Implementation Guide* 38 (April 2011), available at [www.cacities.org/Resources-Documents/Policy-Advocacy-Section/Hot-Issues/Proposition-26-Implementation-Guide](http://www.cacities.org/Resources-Documents/Policy-Advocacy-Section/Hot-Issues/Proposition-26-Implementation-Guide).

<sup>27</sup> See League of California Cities, *Proposition 26 Implementation Guide* 38 (April 2011), available at [www.cacities.org/Resources-Documents/Policy-Advocacy-Section/Hot-Issues/Proposition-26-Implementation-Guide](http://www.cacities.org/Resources-Documents/Policy-Advocacy-Section/Hot-Issues/Proposition-26-Implementation-Guide), stating, “AB 939 fees are regulatory in nature, but if imposed directly on consumers, are not associated with the issuance of any permit and thus are ‘not part of any licensing or permitting program.’ Cal. Const. art. XIII C § 1(e)(3).”

<sup>28</sup> See Cal. Pub. Res. Code § 40059.

<sup>29</sup> See *Waste Management of the Desert v. Palm Springs Recycling Center, Inc.* 7 Cal 4th 478, 28 Cal.Rptr. 2d 461 (1994).

<sup>30</sup> *Waste Management of the Desert v. City of Palm Springs* (1994) 7 Cal.4th 478

<sup>31</sup> See League of California Cities, *Proposition 26 Implementation Guide* 17-18 (April 2011), available at [www.cacities.org/Resources-Documents/Policy-Advocacy-Section/Hot-Issues/Proposition-26-Implementation-Guide](http://www.cacities.org/Resources-Documents/Policy-Advocacy-Section/Hot-Issues/Proposition-26-Implementation-Guide) (Reasoning that Proposition 26 does not apply to tipping fees because they are exempt under Cal. Const. art. XIII C §§ 1(e)(1), (4), (7).).

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<sup>32</sup> See Cal. Pub. Res. Code, §§ 14500 and following.

<sup>33</sup> The city of San Diego has restrictions in their city charter that prohibit the city from charging for residential garbage collection services. Thus, the agency's general funds pay for the service. The cities of Los Angeles and Newport Beach also support their recycling programs through their general fund.

<sup>34</sup> See Cal. Gov't Code §§ 37100.5 and 50075 for authority to levy taxes in general law cities.

<sup>35</sup> <http://www.calrecycle.ca.gov/epr/>

<sup>36</sup> For more information about this topic, see CalRecycle's web-based resources for the "High Diversion Rates and Compensation" workshops at: [www.calrecycle.ca.gov/LGCentral/Events/Funding1314/](http://www.calrecycle.ca.gov/LGCentral/Events/Funding1314/)

<sup>37</sup> The Air Quality Improvement Program (AQIP) was established by the California Alternative and Renewable Fuel, Vehicle Technology, Clean Air, and Carbon Reduction Act of 2007 (Assembly Bill (AB) 118, Statutes of 2007, Chapter 750).