

Date of Hearing: April 22, 2026

ASSEMBLY COMMITTEE ON APPROPRIATIONS

Buffy Wicks, Chair

AB 2559 (Ward) – As Amended April 8, 2026

Policy Committee: Natural Resources

Vote: 14 - 0

Urgency: No

State Mandated Local Program: No

Reimbursable: No

SUMMARY:

This bill requires a local government refund a deposit it collected to ensure compliance with a construction or demolition (C&D) debris diversion requirement if, within three years of final inspection, the entity that paid the deposit submits documentation that demonstrates compliance with the terms of the deposit.

Specifically, this bill:

- 1) Defines “deposit” as a refundable deposit, performance security, or similar financial guarantee as a condition of a construction, demolition, or building permit for the purpose of ensuring compliance with a C&D debris diversion requirement.
- 2) Requires a city or county that collects a deposit to return the full amount of the deposit to the entity that paid the deposit if, within three years of the final inspection on the work or project that was subject to the deposit, the entity submits documentation that demonstrates compliance with the terms of the deposit.
- 3) Provides that the bill does not prohibit a city or county from denying a refund if the submitted documentation demonstrates noncompliance with applicable diversion requirements.

FISCAL EFFECT:

- 1) The Department of Resources Recycling and Recovery (CalRecycle) does not anticipate any costs as a result of this bill.
- 2) Any costs to local government are likely to be minor and absorbable and, in any case, are not reimbursable by the state. The state does not require a local government to collect a refundable deposit to ensure compliance with C&D waste management and diversion ordinances; therefore, it is not a state-mandated local program.

COMMENTS:

- 1) **Purpose.** According to the author:

Local governments across California have adopted construction and demolition waste diversion programs that require refundable deposits

as a condition of issuing building permits. However, cities have developed inconsistent timelines in which to refund deposits. Additionally, a request for refund is often tied to the project's final inspection, which can occur well before construction is fully complete. As a result, permit holders – who often rely on contractors to manage projects and paperwork – may miss the refund deadline even when they ultimately comply with recycling requirements, losing deposits worth hundreds or thousands of dollars.

Assembly Bill 2559 addresses this issue by requiring local governments to return the full deposit if the permit holder submits documentation demonstrating compliance within five years of final inspection.

- 2) **Background.** State law requires local governments to divert at least 50% of the waste generated within their jurisdictions from landfill disposal. According to CalRecycle, C&D waste can be a significant portion of a jurisdiction's waste stream and diverting it from landfills can help jurisdictions achieve and maintain their diversion goals. CALGreen, the state's green building standards, mandates locally permitted new residential and non-residential building construction, demolition, and certain additions and alteration projects to recycle or salvage for reuse a minimum of 65% of the non-hazardous C&D debris generated during the project.

SB 1374 (Kuehl), Chapter 501, Statutes of 2002, directed the California Integrated Waste Management Board (the predecessor of CalRecycle) to provide information to jurisdictions and general contractors on methods and activities to divert C&D materials, and develop and adopt a model C&D diversion ordinance for voluntary use by local jurisdictions. According to the Assembly Natural Resources Committee, most, if not all, local governments in the state have adopted ordinances relating to C&D waste management. Many of these ordinances include a refundable security deposit – intended to be a positive incentive for complying with a jurisdiction's C&D diversion ordinance – collected prior to the issuance of a permit and returned after proof of compliance is submitted. The amounts vary but are generally based on the square footage of the project or the project valuation.

According to the Council of Infill Builders (CIB), there is a misalignment between when compliance documentation is finalized and when jurisdictions require applicants to request a refund. CIB states that in many cases, refund deadlines are tied to final inspection, while documentation – such as recycling receipts and hauler reports – is typically compiled afterward: “As a result, a project may fully comply with all diversion requirements, yet still forfeit the deposit if the refund request is not submitted within the prescribed timeline. This is not an issue of noncompliance—it is an issue of timing and administrative process.”

The author has identified one instance of a homeowner in San Diego who was unable to redeem their deposit due to the 180-day timeline established by the city. The author notes that the homeowner did not receive the necessary documentation until completion of the project, which was several months after the final inspection. This bill ensures that deposits are returned when compliance is demonstrated within three years of final inspection.