
SENATE COMMITTEE ON APPROPRIATIONS

Senator Sabrina Cervantes, Chair
2025 - 2026 Regular Session

SB 1041 (Arreguín) - Voluntary contractual assessments: wildfire safety improvements

Version: April 27, 2026

Urgency: No

Hearing Date: May 11, 2026

Policy Vote: L. GOV. 5 - 2

Mandate: No

Consultant: Mark McKenzie

Bill Summary: SB 1041 would extend, until January 1, 2035, the Wildfire Safety Finance Act, which allows local agencies to establish a voluntary program under a property assessed clean energy (PACE) program to allow property owners to finance wildfire safety improvements, as specified. The bill would also make specified changes to PACE financing for wildfire safety improvements, require PACE administrators to establish a hardship program that includes a process to remove a lien if a wildfire destroys the property, and require administrators to biannually report certain information to the authorizing public agency, as well as a one-time report to the Legislature.

Fiscal Impact:

- The Department of Financial Protection and Innovation (DFPI) anticipates minor costs to update program staff on requirements for PACE program administrators to report certain information and to establish hardship programs. (Financial Protection Fund)

Background: In 2008, the Legislature granted cities and counties statutory authority to provide property owners with up-front financing to install energy efficiency improvements that are permanently affixed to their properties and to allow the repayment of these improvements through homeowners' property tax bills. Since 2008, the Legislature has expanded property assessment clean energy (PACE) program authority to provide financing to residential and commercial property owners for renewable energy upgrades, energy and water efficiency retrofits, seismic improvements, and other specified improvements for their homes or buildings.

Property owners who obtain PACE financing either repay their obligations via an assessment or special tax, secured by a priority lien, via their property tax bills. The majority of local governments contract with a private third-party or join a Joint Powers Authority (JPA), which contracts with a private third-party to carry out their PACE programs. The cost of third-party administration is not borne by the local agency, but is built into PACE loan financing. Some of these programs focus on residential projects, others target commercial projects, and some handle both residential and commercial portfolios. Following the enactment of AB 1284 (Dababneh, 2018), PACE administrators and solicitor agents must be licensed and regulated by DFPI. Regulations went into effect on October 1, 2021 that require a private entity that administers a PACE program on behalf of a local agency to be licensed under the California Financing Law, and must also comply with specified regulatory provisions, including those related to advertising standards and disclosures.

Existing law, the Wildfire Safety Finance Act, which was enacted by SB 465 (Jackson, 2018), expanded PACE, until January 1, 2029, to allow homeowners to finance the installation of wildfire safety improvements that are permanently fixed to residential, commercial, industrial, agricultural, or other real property, provided that the property is located in a very high fire hazard severity zone. SB 465 requires that a resolution of intention adopted by the legislative body of a public agency to establish a voluntary contractual assessment program relating to wildfire safety improvements must identify the kinds of wildfire safety improvements that may be financed and also requires the resolution of intention to direct an appropriate public agency official to prepare a report on the proposed assessment program and the types of wildfire safety improvements that may be financed through the program.

SB 465 defines eligible wildfire safety improvements as any of the improvements identified by CALFIRE that are fixed to an existing building or structure. Some of these improvements include ember-resistant roofs, dual-paned windows, driveways, and various ignition-resistant products such as walls, decks, and patio covers. SB 465 also requires wildfire safety improvements to not be used as a part of a project to construct a new home, or to rebuild or reconstruct a home that was destroyed or damaged in a fire. SB 465 authorizes, upon written consent of an authorized public agency official, the proposed wildfire safety financing program to allow a property owner to directly purchase wildfire safety-related equipment and materials and contract for the installation of wildfire safety improvements. So far, no program administrators have been able to implement wildfire safety PACE improvements in California.

Proposed Law: SB 1041 would extend the authority to use PACE programs to finance wildfire safety improvements until 2035, and would make the following changes:

- Remove the limitation that PACE wildfire safety improvements must be within a very high fire hazard severity zone.
- Remove a requirement that improvements can only be made on existing buildings and structures, and remove a prohibition against improvements being used a part of a project to construct a new home or to rebuild or reconstruct a home that was destroyed or damaged in a fire.
- Strike provisions requiring the Department of Forestry and Fire Protection (CalFire) to identify what constitutes an eligible wildfire safety improvement, and instead specify that an improvement financed through the PACE program includes:
 - A Class A fire-rated roof.
 - Enclosed eaves.
 - Fire-resistant vents.,
 - Multipane windows or functional shutters, as specified.
 - Improvements that contribute to the defensible space of a property, including the space within 100 feet from all sides of a structure, as specified.
 - Any other wildfire improvements identified in regulations adopted by the Department of Insurance that require insurers to reflect and take into account specified mitigation factors in their rating plans.
- Require program administrators providing wildfire improvements to offer a hardship program that includes a process for requesting removal of a lien if a wildfire destroys the property or improvements.
- Expand the components in a biannual report that PACE administrators submit to public agencies to include the total number of wildfire safety improvements, including

the cost of each product type, and the estimated total amount of savings produced by those improvements installed in the calendar year, by city, county and ZIP code. The estimated savings may include estimates for property losses avoided or estimates for reductions in insurance premiums.

- Require program administrators to submit a report to the Legislature by January 1, 2030 that includes:
 - A description of the types of products offered, average costs, and locations where they are offered, as specified.
 - The number of complaints received for these improvements, including resolution of complaints and explanation of unresolved complaints.
 - A description of the hardship program, as specified.
 - Any information specific to wildfire improvements that are added to the biannual report to public agencies, as specified.

Related Legislation: SB 465 (Jackson), Chap. 837/2018, established the Wildfire Safety Finance Act, which allows local agencies to establish a voluntary PACE program to allow property owners to finance wildfire safety improvements until January 1, 2029, as specified. This bill only went into effect to the extent AB 2063 was also enacted.

AB 2063 (Aguiar-Curry), Chap. 813/2018), required program administrators to comply with specified underwriting requirements before executing a PACE assessment contract, and required administrators to inform property owners, on the confirmation of specified terms, of the responsibility to contact their insurance provider to determine whether the improvements financed through PACE are covered by their property insurance.

AB 1284 (Dababneh), Chap. 475/2017, established a regulatory structure for the oversight of PACE administrators and PACE solicitor agents under the Department of Business oversight (now DFPI), including requirements that administrators must be licensed under the California Financing Law, as specified.

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