Date of Hearing: July 1, 2026

ASSEMBLY COMMITTEE ON LOCAL GOVERNMENT
Juan Carrillo, Chair
SB 1170 (Durazo) – As Introduced February 18, 2026

SENATE VOTE: 36-0

SUBJECT: Joint powers agreements: nonprofit housing developers

SUMMARY: Authorizes nonprofit housing developers to enter into joint powers agreements (JPAs) with public agencies for purposes of insurance risk pooling. Specifically, **this bill**:

1) Authorizes a nonprofit housing developer to enter into a JPA with one or more public agencies for the purpose of insurance risk pooling, and to be coinsured under a master policy with the total premium prorated among coinsured entities, as specified.

2) Specifies that a nonprofit housing developer may enter into a JPA with any public agency for the purpose of jointly exercising any power common to the contracting parties.

3) Specifies that a nonprofit housing developer may only enter into a JPA with a public agency if the agreement specifies that no participating public agency may become responsible for the underlying debts or liabilities of the joint powers agency and that the public agency is indemnified against those debts and liabilities.

4) Specifies that a JPA established pursuant to the provisions of the bill shall solely use revenues it generates through the insurance it provides to its members for its necessary operating expenses, and to provide technical support, continuing education, safety engineering, and operational and managerial advisory assistance to its members for the purpose of reducing risk liabilities and furthering the technical managerial and financial capacity of those members.

EXISTING LAW:

1) Allows, pursuant to the Joint Exercise of Powers Act (JPA Act), two or more public agencies by agreement to jointly exercise any power common to the contracting parties, as specified, if authorized by their legislative or other governing bodies. (Government Code (GOV) Section 6500, *et seq*.)

2) Defines, for purposes of the JPA Act, "public agency" to mean "the federal government or any federal department or agency, this state, another state or any state department or agency, a county, county board of education, county superintendent of schools, city, public corporation, public district, regional transportation commission of this state or another state, a federally recognized Indian tribe, or any joint powers authority formed pursuant to the JPA Act by any of these agencies." (GOV Section 6500)

3) Allows two or more local public entities, by a JPA, to provide insurance coverage or self-insurance, or to obtain insurance coverage by means of a reciprocal or inter-insurance exchange. JPAs offer self-insurance coverage on a pooled basis for a variety of purposes,

including liability (malpractice and officers and directors coverage), workers' compensation, health insurance, and property coverage. (GOV Section 6512.2)

4) Provides that the pooling of self-insured claims or losses among entities participating in a JPA are not subject to regulation under the Insurance Code, as provided. (GOV Section 990.8(c))

5) Authorizes affordable housing entities, as defined, to join with one or more other affordable housing entities in an arrangement providing for the pooling of self-insured claims or losses with respect to insurance covering liability and insurance covering losses arising from physical damage to motor vehicles, personal property, real property, or other property owned or operated by the affordable housing entity; and specifies that the pooling arrangement shall not be considered insurance, and shall not be subject to regulation under the Insurance Code. (Insurance Code (INS) Section 13900, *et seq*.)

6) Defines "affordable housing entity," for the purposes of 5), above, to mean a housing authority created under the laws of this state or another jurisdiction and any agency or instrumentality of a housing authority, a nonprofit corporation organized under the laws of this state or another state that is engaged in providing affordable housing, or a partnership, general or limited, or limited liability company that is engaged in providing affordable housing that is affiliated with a housing authority, as specified. (INS Code Section 13907)

7) Allows specified private, non-profit hospitals to enter into JPAs with public agencies, as specified. (GOV Sections 6523.4 – 6524)

8) Allows private, non-profit corporations that provide services for zero-emission transportation to enter into JPAs with public agencies to facilitate the development, construction, and operation of zero-emission transportation systems or facilities, as specified. (GOV Section 6538.5)

9) Allows private, non-profit corporations that provide health care services to enter into JPAs with public agencies for the purposes of providing health care services, as specified. (GOV Section 6538.6)

10) Allows various specified local agencies to enter into JPAs to fund housing to assist the homeless population and persons and families of extremely low, very low, and low income, as specified. (GOV Sections 6539.1 – 6539.9)

FISCAL EFFECT: None

COMMENTS:

1) **Author's Statement**. According to the author, "I am proud to author Senate Bill 1170, which allows affordable housing developers and public agencies to partner on self-insuring affordable housing developments through a risk-pooling Joint Powers Authority (JPA). This measure aims to address the significant increases in insurance costs for 100% affordable housing developers, as well as a lack of available insurance altogether.

   "California is struggling with an affordable housing crisis, with over half of Californians considered rent-burdened. At the same time, the affordable housing supply in California cannot meet current demand, exacerbating the affordable housing crisis in the most populous and second most expensive state in country. As affordable housing developers are working on addressing the urgent need for housing, they are seeing insurance premiums rise, if they can get insurance at all. Many affordable housing developers are reporting over 100 percent insurance premiums increases.

"By allowing non-profit developers to join a risk-pooling JPA that pools self-insurance claims and losses, SB 1170 will help reduce affordable housing insurance costs and lower affordable housing production costs. This will help preserve existing affordable housing developments and encourage the production of more affordable housing."

2) **Joint Exercise of Powers Act**. JPAs have existed in California for nearly 100 years, and were originally created to allow multiple local governments in a region to pool resources to meet common needs. The Act authorizes federal, state and local agencies to create and use a JPA, which is a legal document that allows the contracting parties to exercise powers that are common to all of the contracting parties. A JPA can be administered by one of the contracting agencies, or it can be carried out by a new, separate public entity called a joint powers authority.

   Public agencies can also use the JPA law and the related Marks-Roos Local Bond Pooling Act to form bond pools to finance public works, working capital, insurance needs, and other public benefit projects. JPAs can issue one large Marks-Roos Act bond and then loan the capital to local agencies, thus creating a "bond pool." Bond pooling saves money on interest rates and finance charges. It also allows smaller local agencies to enter the bond market. Because JPAs are entities separate from its members and are not bound by the same limitations on debt issuance, voters need not approve bonds JPAs issue.

   State law generally limits membership in JPAs to public agencies: federal, state, and local governments. However, legislation has authorized some types of private entities to enter into joint powers agreements with public agencies for specified purposes.

   JPA law also allows nonprofit hospitals to enter into JPAs to provide health care services in Fresno County (AB 1785, Reyes, 2002); Contra Costa County (AB 3097, Campbell, 1996); Tulare, Kings, and San Diego Counties (SB 850, Kelley, 1997); and Tuolumne County (AB 2717, House, 2000). These JPAs specify a nonprofit hospital that participates in one of these JPAs cannot levy any tax or assessment.

   More recently, the Legislature enacted AB 1403 (Maienschein, 2015), which, until January 1, 2024, allowed one or more private, nonprofit 501(c)(3) corporations that provide services to homeless persons to form a JPA, or enter into a joint powers agreement with one or more public agencies. The JPA exists as a public entity, but cannot have the power to incur debt. JPAs formed under this provision are to encourage and ease information sharing between public agencies and nonprofit corporations to identify the most costly and frequent users of publicly funded emergency services, provide frequent user coordinated care housing services, and prevent homelessness. The participating public agencies must determine the composition of the board of directors, but the representation of nonprofit 501(c)(3) corporations cannot exceed 50% of the board membership.

Using the model of AB 1403, SB 1226 (Durazo, 2022), allows, until January 1, 2032, a private, non-profit corporation that provides services for zero-emission transportation to enter into a joint powers agreement with a public agency to facilitate the development, construction, and operation of zero-emission transportation systems or facilities. Like AB 1403, these JPAs cannot incur debt, and nonprofit representation on the board must not exceed 50%.

3) **Risk-pooling JPAs**. Among the common powers public agencies can exercise jointly through a JPA is the power to insure against specified liabilities. State law allows two or more local public entities to form a JPA to provide insurance authorized by specified statutes. Insurance these JPAs provide is different from traditional insurance. For example, public entities can be co-insured under a master policy and prorate their premiums among the different entities. This pooling of self-insured claims or losses is not subject to state regulation like private insurance. Local agencies can also reinsure liabilities. These JPAs are subject to additional requirements, including that the agreement ensures no participating public agency becomes responsible for the underlying debts or liabilities of the JPA, and indemnifies any participating public agency against those debts and liabilities.

   State law allows a mutual water company to enter into a joint powers agreement with any public agency to jointly exercise any power common to the contracting parties provided the agreement ensures no participating public agency becomes responsible for the underlying debts or liabilities of the joint powers agency (AB 2014, Cortese, 1994). However, mutual water companies are not public agencies with the power to offer insurance, so they could not join a JPA for insurance purposes. AB 656 (Cristina Garcia, 2015) addressed this issue by allowing mutual water companies to join a JPA for risk-pooling and providing technical support, continuing education, safety engineering, and operational and managerial advisory assistance to JPA members to reduce risk liabilities.

   Prior to AB 656, mutual water companies had to purchase insurance in the open market. Because the pooling of self-insurance among entities participating in a JPA is not subject to insurance premium taxes, a risk-pooling JPA can generally set lower premiums and offer broader coverage than would be available through the private marketplace. By allowing mutual water companies to realize some of these savings through membership in a mutual water company insurance JPA, AB 656 made residual funding available to help mutual water companies meet their customers' needs. AB 428 (Blanca Rubio, 2025) granted private water corporations the same authority as mutual water companies to enter into a risk-pooling JPA or agreement.

4) **Affordable Housing Insurance**. Like other types of development, affordable housing developers need insurance policies to cover losses from property damage or injury claims. Recently, affordable housing developers have reported significant insurance premium increases, or trouble purchasing insurance policies altogether. According to the Little Tokyo Service Center, an affordable housing provider, "Rising insurance costs and lack of coverage is a common headline in California and across the country these days, but the acute challenges for affordable housing—and the state's most vulnerable residents who live there—have received far less attention. Between 2020 and 2022, insurance costs for California's affordable housing providers increased by an average of 56%, with some facing hikes as high as 500% between 2022 and 2024. At the same time, coverage options have narrowed, further jeopardizing the long-term viability of these essential homes."

5) **Bill Summary**. This bill allows a nonprofit housing developer to enter into a JPA with one or more public agencies for the purpose of insurance risk pooling and to be coinsured under a master policy with the total premium prorated among coinsured entities.

   This bill also allows a nonprofit housing developer to enter into a JPA with any public agency for the purpose of jointly exercising any power common to the contracting parties. A nonprofit housing developer may only enter into a JPA with a public agency if the agreement specifies that no participating public agency may become responsible for the underlying debts or liabilities of the joint powers agency and that the public agency is indemnified against those debts and liabilities.

   A JPA established pursuant to this bill must solely use revenues it generates through the insurance it provides to its members for its necessary operating expenses, and to provide technical support, continuing education, safety engineering, and operational and managerial advisory assistance to its members for the purpose of reducing risk liabilities and furthering the technical managerial and financial capacity of those members.

   This bill is sponsored by the author.

6) **Previous Legislation**. AB 428 (Blanca Rubio), Chapter 151, Statutes of 2025, authorized water corporations to enter into JPAs with public agencies and mutual water companies for purposes of insurance risk pooling.

   AB 2735 (Blanca Rubio) of 2024 was substantially similar to AB 428. AB 2735 was vetoed with the following message: "Authorizing investor-owned, private water corporations to participate in public risk pools could transfer financial risks of decisions by for-profit entities to public entities, which has the potential to shift costs to public entities and their ratepayers. Absent a more robust analysis of the nature and extent of this potential cost-shifting, I am not convinced the benefit of this proposal outweighs the risk at this time."

   AB 2293 (Mathis), Chapter 710, Statutes of 2024, allowed nonprofits formed to provide health care services to join a joint powers authority or enter into a joint powers agreement with one or more public agencies.

   AB 656 (Christina Garcia), Chapter 250, Statutes of 2015, allowed a mutual water company and a public agency to enter into a JPA for the provision of insurance and risk-pooling.

   AB 1077 (Holden), Chapter 669, Statutes of 2015, made a number of changes to the Mutual Water Company Open Meeting Act, including allowing the use of teleconferencing to provide access for eligible persons to attend meetings, and specifying requirements for executive sessions.

   AB 2046 (Gomez) of 2014 would have authorized a JPA to issue bonds and enter into loan agreements for the financing or refinancing of a private project located outside of the state under specified conditions, until January 1, 2021. This bill raised a number of concerns regarding the appropriate purposes and activities of JPAs, such as allowing the issuance of tax-exempt bonds for private projects outside of the state, severing the geographical nexus between a bond-issuing JPA and the jurisdiction in which a local agency project is located, and others. AB 2046 was held in the Senate Appropriations Committee.

AB 240 (Rendon), Chapter 633, Statutes of 2013, increased transparency requirements for mutual water companies by enacting the Mutual Water Company Open Meeting Act.

AB 54 (Solorio), Chapter 512, Statutes of 2011, established training requirements for mutual water companies' board members regarding their duties, made mutual water companies liable for specified fines and penalties for violating the California Safe Drinking Water Act, and expanded LAFCOs' authority to review matters related to mutual water companies.

7) **Arguments in Support**. The California Housing Partnership writes, "There is an urgent need for additional affordable housing development to provide relief to many Californians who are rent-burdened or experiencing the risk of homelessness, and address the affordable housing crisis in California, the most populous and second most expensive state in the country. The cost for affordable housing development is increasing, though, with affordable housing developers seeing insurance premiums rise, if they can get insurance at all. For example, in 2023, one in three affordable housing providers experienced insurance premium increases of 25 percent or higher, according to a national report. In California, many affordable housing developers are reporting over 100 percent insurance premiums increases. This not only prevents affordable housing developers from building more affordable housing. It could also prevent them from preserving the affordable housing units they already have.

   The Joint Exercise of Powers Act authorizes two or more public agencies to enter a risk-pooling JPA to pool their shared risk to reduce insurance costs. Currently, however, there is no established mechanism in California law that would formally enable public agencies and affordable housing developers to partner and self-insure housing developments through a JPA.

   SB 1170 opens the door to more affordable housing by permitting public agencies and nonprofit developers to partner on self-insuring affordable housing developments. The measure addresses the significant increases in insurance costs for 100% affordable housing developers and the lack of insurance availability. For these reasons, we support SB 963 and thank you and your staff for advancing this constructive, thoughtful bill.

8) **Arguments in Opposition**. None on file.

9) **Double-Referral**. This bill is double-referred to the Assembly Insurance Committee, where it passed on a 17-0 vote on June 17, 2026.

REGISTERED SUPPORT / OPPOSITION:

Support

California Housing Partnership
City and County of San Francisco
Downtown Women's Center
Enterprise Community Partners, INC.
Little Tokyo Service Center
Southern California Association of Nonprofit Housing

Opposition

None on file

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