

Date of Hearing: April 30, 2025

ASSEMBLY COMMITTEE ON EDUCATION
Al Muratsuchi, Chair
AB 1381 (Muratsuchi) – As Amended March 28, 2025

SUBJECT: California School Finance Authority: Educational Workforce Housing Revolving Loan Fund

SUMMARY: Establishes the Educational Workforce Housing Revolving Loan Fund (EWHRLF), administered by the State Treasurer, and requires upon an appropriation by the Legislature, moneys in the fund to be loaned to local educational agencies (LEAs) for purposes of conducting educational workforce housing predevelopment efforts. Specifically, **this bill:**

- 1) Establishes the EWHRLF in the State Treasury, to be administered by the State Treasurer;
- 2) Requires, upon appropriation by the Legislature, moneys in the fund to be loaned to LEAs for the purposes of conducting educational workforce housing predevelopment efforts.
- 3) Requires loans to be issued with no interest and based upon the average daily attendance (ADA) of the LEA as follows:
 - a) \$150,000 for a LEA with an ADA less than or equal to 2,500;
 - b) \$175,000 for a LEA with an ADA greater than 2,500 and less than or equal to 20,000; and
 - c) \$200,000 for a LEA with an ADA greater than 20,000.
- 4) Requires loans to be repaid over a period of ____ years.
- 5) Requires the State Treasurer to designate a statewide educational nonprofit organization with demonstrable expertise in assisting LEAs with workforce housing predevelopment efforts to do all of the following:
 - a) Assist the authority in the identification of LEAs for receipt of loan funds;
 - b) Assist with predevelopment activities, including, but not limited to: community engagement, feasibility studies, surveys of employee demand, and project design and scope.
 - c) Provide training to LEA staff responsible for overseeing implementation of its educational workforce development project.
- 6) Requires an LEA to qualify for a loan if the LEA submits a signed commitment that does all of the following:
 - a) Commits to pursue educational workforce housing;

- b) Identifies all of the following: the need for workforce housing, surplus land owned by the LEA; potential funding sources, including, but not limited to, general obligation bonds, lease revenue bonds, and certifications of participation; and estimates any third-party costs and includes any third-party bids and itemized estimates.
- 7) Requires, for annual administrative costs, the nonprofit organization to receive, upon appropriation, an amount equal to ____ % of the total amount of loans issued.
- 8) Defines the following terms:
- a) “ADA” to mean average daily attendance;
 - b) “Fund” to mean the Educational Workforce Housing Revolving Loan Fund; and
 - c) “Local education agency” or “LEA” to mean a school district or county office of education (COE).
- 9) States that the Legislature finds and declares that the provisions of this bill serves a public purpose of helping to address California’s educational workforce staffing crisis and does not constitute a gift of public funds within the meaning of Article XVI of the California Constitution.

EXISTING LAW:

- 1) Authorizes a housing development project to be an allowable use on any real property owned by an LEA if the housing development satisfies all of the following:
- a) Consists of at least 10 housing units;
 - b) At least 30% of the units are affordable to lower income households;
 - c) 100% of the units are rented, in priority order to, the LEA’s employees, directly adjacent LEA’s employees, public employees working in the jurisdiction of the LEA, and to the general public;
 - d) Complies with the residential density allowable by the city or county, as applicable;
 - e) Complies with the height limit of 35 feet or the height allowable by the city or county, whichever is greater;
 - f) Property is adjacent to a property that permits residential use;
 - g) Property is located on an infill site;
 - h) Satisfies all other local objective zoning standards;
 - i) Is located entirely within any applicable urban limit line; and
 - j) Complies with all infrastructure-related requirements. (Government Code (GOV) 65914.7)

- 2) Establishes the Teacher Housing Act of 2016 in order to facilitate the acquisition, construction, rehabilitation, and preservation of affordable rental housing for teachers and school district employees to allow them to access and maintain housing stability. Requires a program established to be restricted to teacher or school district employees, except that a school district may allow local public employees or other members of the public to occupy housing. Requires a school district to retain the right to prioritize school district employees over local public employees or other members of the public to occupy housing. (Health and Safety Code (HSC) 53570 and 53571)
- 3) Creates a state policy supporting housing for teachers and school district employees and permits school districts and developers in receipt of local or state funds or tax credits for affordable housing to restrict occupancy to teachers and school district employees on land owned by school districts, provided that no other laws are violated. (HSC 53571)
- 4) Exempts a property belonging to the state, a county, a city, a school district, a community college district or any combination thereof, that is used to provide rental housing for employees of one or more public school districts or community colleges from paying property taxes and any interest, including possessory interest. (Revenue and Taxation Code 202)
- 5) Authorizes loans be made available from funds in the Public School District Organization Revolving Fund to newly organized school districts. Requires money loaned to a school district to be used only for expenses related to office supplies, office rentals, related elections, and clerical support related to the school district reorganization. Requires loans to be repaid during each of the two successive fiscal years after the school district is created or reorganized, and requires the State Controller deduct from apportionments made to that school district an amount equal to one-half of the amount loaned to that school district and pay the same amount into the Public School District Organization Revolving Fund in the State Treasury. (Education Code (EC) 41360)
- 6) Creates the Charter School Revolving Loan Fund (CSRLF) in the State Treasury composed of federal funds obtained by the state for charter schools and any other funds appropriated or transferred to the fund through the annual budget process. Authorizes loans to be made to new charter schools, upon application and approval by the California School Finance Authority (CSFA). Requires the money loaned to be no more than \$250,000, and prioritizes loans be given to new charter schools for startup costs. Loans are required to be repaid within five years. Authorizes the CSFA to adopt regulations for the implementation of the CSRLF. (EC 41365)

FISCAL EFFECT: Unknown

COMMENTS:

Need for the bill. According to the author, “Too many teachers and school staff cannot afford to live near the schools where they work. School districts and County Offices of Education are attempting to address the issue by developing workforce housing on district-owned property. However, these efforts are often hindered by unexpected barriers before the project has a chance to get off the ground. AB 1381 creates a revolving loan fund in the State Treasurer’s Office to assist LEAs with oft-overlooked pre-development work that if done incorrectly, can derail a

project. This fund aims to provide LEAs with the financial resources needed to overcome these early challenges and successfully move workforce housing projects forward.”

Key provisions of the bill. This bill would establish the EWHRLF, administered by the State Treasurer. The bill states that the establishment of the EWHRLF would be require an appropriation by the Legislature moneys in the fund to be loaned to school districts and COEs for purposes of conducting educational workforce housing predevelopment efforts. Predevelopment activities may include community engagement, feasibility studies, surveys of employee demand, and project design and scope. The bill further requires the Treasurer to designate a statewide educational nonprofit organization with demonstrable expertise in assisting LEAs with workforce housing predevelopment efforts to do all of the following: assist the CSFA in the identification of school districts and COE for receipt of loan funds, assist with predevelopment activities, and provide training to LEA staff responsible for overseeing implementation of its educational workforce development project.

The Committee may wish to consider that the bill does not include many of the components necessary to establish a revolving loan fund (RLF), a requirement and process for applying for loans from the RLF, a prioritization for awarding loans, nor a process for selecting a nonprofit technical assistance provider. The bill also does not specify the amount of time a loan would be required to be repaid, nor does the bill specify the amount of annual administrative costs equal to the percentage of the total amount of loans issued that the nonprofit organization would be required to receive. Finally, the bill does not include any required reporting and accountability of the loan funds at the state level.

AB 1296 (Bonta) of this would require the California Department of Housing and Community Development (HCD) to make available on its website a form to allow LEAs to notify the department of their interest in using property they own for a housing project, and requires the department to provide technical assistance to the LEA to support predevelopment activities related to a housing project on LEA property. ***The Committee may wish to consider*** that AB 1296 and this bill require technical assistance to be offered regarding employee housing projects, which may cause some duplication.

Revolving loan funds. Generally, a RLF is a source of money from which loans are made for multiple small business or organization development projects. RLFs start with a significant initial investment, and as loans are issued and repaid back into the fund other loans may be issued to new projects.

School-related RLFs. The State Treasurer, via the CSFA, administers the CSRLF, which is designed to provide low-interest loans of up to \$250,000 to new charter schools. According to the CSRLF 2023-24 Annual Report, as of June 30, 2024, 39 active Program loans are outstanding (for schools in 14 counties), with a total outstanding balance of \$3.9 million. The CSRLF awarded three loans in the 2022-23 funding round, totaling \$750,000, which was disbursed by June 30, 2024. The CSRLF gives priority to new charter schools in their first year of operation, or those that will be opening next year. In the case of program oversubscription with first priority applicants, the CSFA gives preference to applicants based on highest Free or Reduced-Price Meal (FRPM) percentage in order to ensure equal representation to the extent feasible.

Loans may be made available from funds in the Public School District Organization Revolving Fund to newly organized school districts. Money loaned to a school district can only be used for expenses related to office supplies, office rentals, related elections, and clerical support related to the school district reorganization. Loans are required to be repaid during each of the two successive fiscal years after the school district is created or reorganized, and the State Controller is required to deduct from apportionments made to that school district an amount equal to one-half of the amount loaned to that school district and pay the same amount into the Public School District Organization Revolving Fund in the State Treasury.

The California Student Housing Revolving Loan Fund (SHRLF) Act of 2022, AB 190 (Committee on Budget) Chapter 572, Statutes of 2022, authorized the California Educational Facilities Authority (CEFA) and the CSFA to develop the SHRLF to provide zero-interest loans to qualifying colleges and universities to construct affordable student, faculty, and staff housing. The SHRLF requires policy development, underwriting criteria, regulation development, forms development, and a loan tracking system.

Teacher Housing Act of 2016. In 2016, SB 1413 (Leno), Chapter 732, established the Teacher Housing Act of 2016 (the Act) to facilitate the acquisition, construction, rehabilitation, and preservation of affordable housing for teachers and school district employees. That Act authorized school districts to establish and implement programs that address the housing needs of teachers and school district employees by leveraging funding sources, including state, federal, and local public, private, and nonprofit resources available to housing developers, promoting public and private partnerships, and fostering innovative financing opportunities. The Act also created a state policy supporting the use of federal and state Low Income Housing Tax Credits (LIHTC) to fund housing for teachers and school district employees on land owned by the school district and permitted school districts to restrict occupancy to teachers and school district employees.

Generally, under federal Internal Revenue Service (IRS) rules, if a residential unit is provided for only a member of a social organization or provided by an employer for its employees, the unit is not for use by the general public and is not eligible for federal LIHTC. However, federal IRS law also states that a qualified LIHTC project does not fail to meet the general public use requirement solely because of occupancy restrictions or preferences that favor tenants (1) with special needs, (2) who are members of a specified group under a federal program or a state program or policy that supports housing for such a specified group, or (3) who are involved in artistic or literary activities.

The Act provided express state statutory authority to permit school districts to construct housing on their property and limit the occupancy to teachers and school district employees. As mentioned above, federal law creates an exemption to the “general use” requirement that allows the use of federal and state tax credits if a state establishes a policy or program that supports housing for such a specified group. The Act established this policy by allowing school districts to restrict occupancy of affordable housing on school district land constructed with federal or state low-income housing tax credits to the district’s teachers and school employees.

Housing on school district land. There are just under 1,000 school districts in California. Collectively, they own more than 150,000 acres of land. A 2022 Center for Cities + Schools, cityLAB, and Turner Center for Housing Innovation report, *Education Workforce Housing in California: Developing the 21st Century Public School Campus*, on land owned by LEAs, there

are 7,068 properties with potentially developable land of one acre or more, totaling 75,000 acres statewide. At a modest density of 30 dwelling units per acre, such properties could contain 2.3 million units of housing – more than enough to house the state's 300,000 teachers and 350,000 other LEA employees.

School districts who want to build housing for their employees face barriers, including that the land is not zoned for housing. To build housing, a school would need to get the site rezoned by a local government, which would take time and could face community opposition. AB 2295 (Bloom), Chapter 652, Statutes of 2022, made housing a permissible use on LEA properties with an allowable height of 35 feet, if the housing project provided some affordable housing and prioritized housing units for school employees. To qualify, a development would need to make a majority of the units affordable to moderate-income households (those making less than 120% of the area median income), including that at least 30% would need to be affordable to lower income households (those making less than 80% of the area median income). Priority for housing would go to district employees. However, should there not be enough LEA employees to fill the units, projects would be subject to a sequence where they could fill the units with employees of adjacent LEAs, and if there is still space then other public employees in that jurisdiction and if there is still space after that, to members of the general public.

While housing would become a permissible use, the project still needs to go through the local government's entitlement process. The local government can apply its own zoning and design review standards, as long as they do not preclude the project from being three stories or 35 feet in height and allow a density that accommodates at least 30 units per acre in urban areas, 20 units per acre in suburban areas, and 10 units per acre in rural areas.

Arguments in support. The California School Boards Association writes, “Affordable housing has long been a challenge to the recruitment and retention of classified and certificated education staff alike. However, the cost of housing has skyrocketed since the Great Recession, fast outpacing the ability of teachers and classified staff to afford the cost of rent or to own their own home. EdSource, a leading public education news outlet recently published an article titled “Crowded classes, staff shortages, insufficient pay are making some California teachers rethink careers,” reporting that the lack of affordable housing near their jobs is one of the main challenges facing new and veteran teachers. It further reported that “91% of the educators surveyed who rent reported that they can’t afford to buy a home. Only 12% of the teachers surveyed said they were able to save a comfortable amount for the future, while 31% said they are living paycheck to paycheck.” By establishing a revolving loan fund it will help provide a critical tool school districts and county offices need to help make education workforce housing a reality.

Recommended Committee Amendments. *Staff recommends that the bill be amended as follows:*

- Define “predevelopment activities” to include, but not be limited, to community engagement, feasibility studies, surveys of employee demand, project design, and project scope.
- Clarify the requirements for the Treasurer, by requiring the Treasurer, when designating a statewide educational nonprofit in order to provide technical assistance to select the nonprofit through a request for proposals process, require the Treasurer to select a

nonprofit with expertise in workforce housing predevelopment efforts, and training of governing board members and LEA staff responsible for the LEA's educational workforce housing development.

- Require, upon appropriation, the nonprofit to be eligible for no more than 2% of the total amount of loans issued for annual administrative costs.
- Require the designated nonprofit to provide specified technical assistance.
- Require LEAs seeking a loan to submit an application to the Treasurer.
- Require priority for loans to be given to LEAs that do not already provide educational workforce housing.
- Require the Treasurer to adopt regulations in order to implement the EWHRLF.
- Require the repayment of the loan within five years.
- Establish a process for the repayment of loans, including the establishment of the Educational Workforce Housing Security Fund for all interest payments to be paid into, and a process for loan defaults.
- Requires the Treasurer to monitor the EWHRLF, and provide an annual report to the Legislature, Department of Finance, and Legislative Analyst's Office.

Related legislation. AB 1021 (Wicks) of the 2025-26 Session, would make changes to AB 2295 (Bloom), Chapter 652, Statutes of 2022, which authorized a housing development project as an allowable use on any real property owned by a local educational agency (LEA) and adds housing on LEA property to an existing exemption in the California Environmental Quality Act (CEQA).

AB 1296 (Bonta) of the 2025-26 Session would require the Department of Housing and Community Development, by January 1, 2027, to make available on its website a form to allow LEAs to notify the department of their interest in using property they own for a housing project, and requires the department to provide technical assistance to the LEA to support predevelopment activities related to a housing project on LEA property.

AB 2517 (Papan) of the 2023-24 Session would have established a definition of the term "school facilities" as it relates to local school facilities bond elections in school districts and California Community College districts and delineates the purposes for which school bonds may be issued. This bill was held in the Assembly Higher Education Committee.

AB 2967 (Ting) Chapter 748, Statutes of 2024, expands the Teacher Housing Act to cover specified nonprofit organization employees.

AB 190 (Committee on Budget) Chapter 572, Statutes of 2022, authorizes the CEFA and the CSFA to develop the SHRLF to provide zero-interest loans to qualifying colleges and universities to construct affordable student, faculty, and staff housing. The SHRLF requires policy development, underwriting criteria, regulation development, forms development, and a loan tracking system.

AB 2295 (Bloom), Chapter 652, Statutes of 2022, authorizes a housing development project to be an allowable use on any real property owned by a local educational agency (LEA), as specified.

AB 3308 (Gabriel), Chapter 199, Statutes of 2020, allows school districts to restrict occupancy of affordable housing on school district-owned land, funded with LIHTC, to teachers and school district employees of the school district that owns the land, regardless of any laws that would prohibit a priority or preference for school district employees and teachers. Allows public employees to also occupy the housing, as specified.

SB 1413 (Leno), Chapter 732, Statutes of 2016, establishes the Teacher Housing Act of 2016 and provides that a school district may establish and implement programs that address the housing needs of teachers and school district employees who face challenges in securing affordable housing.

REGISTERED SUPPORT / OPPOSITION:**Support**

California School Boards Association
SELPA Administrators of CA

Opposition

None on file

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