

VETERANS' BOND ACT OF 2008.

- This act provides for a bond issue of nine hundred million dollars (\$900,000,000) to provide loans to California veterans to purchase farms and homes.
- Appropriates money from the state General Fund to pay off the bonds, if loan payments from participating veterans are insufficient for that purpose.

Summary of Legislative Analyst's Estimate of Net State and Local Government Fiscal Impact:

- Costs of about \$1.8 billion to pay off both the principal (\$900 million) and interest (\$856 million) on the bonds; costs paid by participating veterans.
- Average payment for principal and interest of about \$59 million per year for 30 years.

FINAL VOTES CAST BY THE LEGISLATURE ON SB 1572 (PROPOSITION 12)

Senate:	Ayes 39	Noes 0
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Assembly:	Ayes 75	Noes 0
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ANALYSIS BY THE LEGISLATIVE ANALYST

BACKGROUND

Since 1921, the voters have approved a total of about \$8.4 billion of general obligation bond sales to finance the veterans' farm and home purchase (Cal-Vet) program. As of July 2008, there was about \$102 million remaining from these funds that will be used to support new loans.

The money from these bond sales is used by the State Department of Veterans Affairs to purchase farms, homes, and mobile homes which are then resold to California veterans. Each participating veteran makes monthly payments to the department. These payments are in an amount sufficient to (1) reimburse the department for its costs in purchasing the farm, home, or mobile home; (2) cover all costs resulting from the sale of the bonds, including interest; and (3) cover the costs of operating the program.

PROPOSAL

This measure authorizes the state to sell \$900 million in general obligation bonds for the Cal-Vet program. These bonds would provide sufficient funds for at least 3,600 additional veterans to receive loans. For more information regarding general obligation bonds, please refer to the section of this ballot pamphlet entitled "An Overview of State Bond Debt."

FISCAL EFFECT

The bonds authorized by this measure would be paid off over a period of about 30 years. If the \$900 million in bonds were sold at an interest rate of 5 percent, the cost would be about \$1.8 billion to pay off both the principal (\$900 million) and the interest (\$856 million). The average payment for principal and interest would be about \$59 million per year.

Throughout its history, the Cal-Vet program has been totally supported by the participating veterans, at no direct cost to the taxpayer. However, because general obligation bonds are backed by the state, if the payments made by those veterans participating in the program do not fully cover the amount owed on the bonds, the state's taxpayers would pay the difference.

★ ARGUMENT IN FAVOR OF PROPOSITION 12 ★

On November 7, 1922, the people of California authorized the very first Veterans' Bond Act for the Cal-Vet Home Loan Program. Over the past 85 years there have been 26 Veterans' Bond Acts and Californians have consistently recognized the special debt we owe to those who have served our country in the armed forces by approving all of these bonds.

The Cal-Vet Home Loan Program enables veterans to obtain low-interest rate loans for the purchase of conventional homes, manufactured homes, and mobile homes without costing the taxpayers one cent. More than 420,000 California veterans, including those who served during World War I, World War II, Korea, Vietnam, and more recently, in Iraq and Afghanistan, have become homeowners under the Cal-Vet Home Loan Program.

All costs of the program, including all administration costs, are paid for by veterans holding loans. There have never been any costs to the taxpayers of California, so this is a fiscally sound way to assist veteran men and women as they return to civilian life.

The program is also good for the California economy because, in addition to helping veterans, Cal-Vet home loans generate thousands of housing

industry-related jobs with millions of dollars in annual payrolls.

As these bonds are repaid by the veterans, new bonds must be authorized to continue this self-supporting program serving our veterans. That is the purpose of Proposition 12.

This measure was placed on the ballot by a unanimous vote of 75–0 in the State Assembly and 39–0 in the State Senate.

Approval of Proposition 12 will prove once again that Californians keep their promises to the men and women who perform the duty of defending our state and country. It is an appropriate expression of our appreciation for their service and sacrifice.

Your "Yes" Vote on Proposition 12 will enable more veterans to buy homes in California and help the economy at the same time, all with no direct cost to the state's taxpayers.

SENATOR MARK WYLAND, Chairman
Senate Committee on Veterans Affairs
ASSEMBLYMAN GREG AGHAZARIAN
ASSEMBLYMAN TONY STRICKLAND

★ REBUTTAL TO ARGUMENT IN FAVOR OF PROPOSITION 12 ★

If it were true, as proponents claim, that state government can borrow money by selling bonds and then make "*low interest rate loans . . . without costing taxpayers one cent*," then the government could cheaply borrow and loan money to everyone—not just to some veterans.

The truth, though, is that money can be raised by selling government bonds that pay below-market interest only because the interest paid to bondholders is tax free under federal and state law. In that round-about way, all federal and state taxpayers greatly help foot the bill for all bonds sold (and for all projects or programs funded).

In addition, if anyone who receives a Cal-Vet loan does not make the payments and cannot sell the property *at a time of declining housing prices*, state taxpayers will be liable for any shortfall.

Still, providing low interest housing loans to the most needy and deserving veterans may be justified *IF* limited to the most needy and deserving veterans—such as those veterans who were injured in combat or at least served in combat or in a combat zone. Currently, the Cal-Vet Loan Program is *NOT* so limited.

As a planet and as a nation and a state, we face enormous challenges. We need new leaders and new initiatives that seriously address those challenges.

The Cal-Vet Loan Program is an old idea that benefits some special interests and a relatively small number of veterans.

GARY WESLEY

★ ARGUMENT AGAINST PROPOSITION 12 ★

While our national political leaders may not always be wise in directing the use of American military force around the world, we rightly honor military service—especially the service of enlistees who actually put their lives at risk in combat.

Enlistees should receive higher pay and benefits from the federal government. In the context of low pay and inadequate benefits from the federal government, state governments certainly are justified in stepping in and providing additional assistance.

The Cal-Vet Loan Program has provided low-interest farm and housing loans to veterans for many years. This measure would authorize the State to borrow more money (by selling bonds) to provide additional funds for the Program. The amount to be borrowed is \$900 million.

Since funds are limited, the question is:
WHICH VETERANS ARE THE MOST
DESERVING OF ASSISTANCE?

Cal-Vet loans are limited to veterans who served in the *time* of a war—including the Korean and Vietnam conflicts and the current campaigns in Afghanistan and Iraq. There is no requirement for the veteran to have served in combat or even in a combat zone. A veteran who served in Germany or never even left the United States can apply for a loan. The veterans who actually served in harm's way are most deserving of the limited assistance available under the Cal-Vet Loan Program.

California voters could reasonably insist that the Cal-Vet Loan Program be limited to veterans who served in combat or a combat zone before they approve more borrowing to fund the Program.

GARY WESLEY

★ REBUTTAL TO ARGUMENT AGAINST PROPOSITION 12 ★

The opponents to Proposition 12 are wrong.

In fact, the Cal-Vet Home Loan Program helps all veterans who have served honorably with home loans. All veterans have served our country and have been given the responsibility to defend our nation no matter the circumstances.

Many who had to fight in combat did not know when they entered the service that they would be called upon to protect us in war, yet they did so with honor. Others who served our nation in peacetime also protected us and were willing to do so at any cost.

The least we can do to repay the brave service of the men and women of our armed forces is to assist them with home loans, which is the key to the American dream of homeownership.

The bonds to fund these loans cost taxpayers nothing because the mortgage payments from the veterans pay back the bonds and all other costs to administer the Cal-Vet Home Loan Program.

Over the past 85 years, the Cal-Vet Home Loan Program has helped over 420,000 veterans. Please help us to continue this worthy program.

We urge a yes vote on Proposition 12.

SENATOR MARK WYLAND, Chairman
Senate Committee on Veterans Affairs
ASSEMBLYMAN GREG AGHAZARIAN
ASSEMBLYMAN TONY STRICKLAND