



Veterans' Homes Bond Act of 2000.

Official Title and Summary Prepared by the Attorney General

VETERANS' HOMES BOND ACT OF 2000.

- This fifty million dollar (\$50,000,000) bond issue will provide funding to the Department of Veterans Affairs for the purpose of designing and constructing veterans' homes in California and completing a comprehensive renovation of the Veterans' Home at Yountville.
- Funds from this bond shall be allocated to fund the state's matching requirement to construct or renovate those veterans' homes in Military and Veterans Code section 1011 first, and then fund any additional homes established under this Act.
- Appropriates money from General Fund to pay off bonds.

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

- Net state cost of about \$33 million over 25 years to pay off \$26 million in additional bonds. The average cost would be around \$1 million per year.

Final Votes Cast by the Legislature on SB 630 (Proposition 16)

Assembly: Ayes 76	Senate: Ayes 32
Noes 4	Noes 0



Background

The state Department of Veterans Affairs operates two residential homes for veterans—one at Yountville, Napa County and the other at Barstow, San Bernardino County. The Yountville home has the capacity to house 1,421 veterans, and Barstow can house 400. These facilities provide residential services, nursing, and medical care primarily for elderly or disabled California veterans. The cost to construct new or renovate existing veterans' homes is generally shared between the state (35 percent) and the federal government (65 percent).

Existing law authorizes the use of \$36 million of lease-payment bonds for the state's share of the cost to construct three new homes in Southern California. One of these homes is under construction at Chula Vista, San Diego County. This home, which is planned to open by April 2000, will be able to house 400 veterans. The two other homes are to be constructed at Lancaster, Los Angeles County, and Saticoy, Ventura County.

Proposal

This proposition authorizes the state to sell \$50 million of general obligation bonds to pay the state's share of the cost for construction and renovation of new and existing veterans' homes. General obligation bonds are backed by the state, meaning that the state is required to pay the principal and interest costs on these bonds. General Fund revenues would be used to pay these costs. These revenues come primarily from state personal and corporate income taxes and the sales tax.

Uses of the Bonds. The \$50 million in bonds would be used for two purposes:

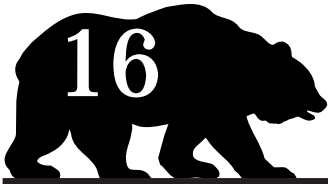
- First, \$24 million would replace lease-payment bonds currently available for veterans' homes. Lease-payment bonds are similar to general obligation bonds in that General Fund revenues are used to pay off the bonds. Lease-payment bonds, however, are more costly because they have higher interest rates and selling costs.
- Second, the remaining \$26 million in general obligation bonds would be available for (1) additional new veterans' homes (that is, beyond the three new homes in Southern California) and/or (2) renovation of existing homes.

Fiscal Effects

Bond Costs. This proposition would affect the state's cost in two ways. Most significantly, it allows \$26 million in additional bonds. The cost of repaying these bonds would be offset by some savings from the replacement of higher-cost lease-payment bonds with general obligation bonds. We estimate that the net impact would be costs of about \$33 million over a 25-year period. The average cost would be around \$1 million per year.

Operating Costs. To the extent that the bond funds are used to add beds at new or existing veterans' homes, state operating costs for these homes would increase to care for additional veterans.

For text of Proposition 16 see page 116



Veterans' Homes Bond Act of 2000.

Argument in Favor of Proposition 16

Not all state problems are measured in the billions. Proposition 16 asks for your support for \$50 million in bonds to pay the state's share of retirement homes for United States military veterans who are California residents.

These veterans fought for our country in World War II, Korea, Vietnam and other hotspots around the globe. They put their lives on the line in defense of this country. It is our obligation to make sure they have a place to live if they can no longer care for themselves.

Proposition 16 will not raise your taxes. The bonds will be paid from taxes already being collected. No new taxes will be raised or collected to fund this bond act.

Proposition 16 will pay the state's share to build two new veterans' retirement homes that have been approved for construction by the state of California.

Proposition 16 will rehabilitate the 100-year old Veterans Home at Yountville.

Proposition 16 will build a special treatment center to treat veterans with dementia problems like Alzheimer's disease.

Proposition 16 is supported by the American Legion, the Veterans of Foreign Wars and other state veterans' organizations, as well as AARP and service and civic groups. It passed overwhelmingly in the state Assembly and Senate.

We believe that Proposition 16 meets the needs of the U.S. military men and women who served this nation with distinction.

Please vote "yes" for our veterans. Vote "yes" on Proposition 16.

We appreciate your consideration.

GRAY DAVIS
Governor, State of California

JOHN McCAIN
U.S. Senator, Arizona

JOE DUNN
State Senator, 34th District

Rebuttal to Argument in Favor of Proposition 16

Bond supporters always say that the measure will not increase taxes. How then will the bonds be paid? Taxpayers must pay the principal and interest on the bonds for 30 years. This money comes from our tax dollars. Taxpayers are currently paying over \$3 billion per year on existing bond debt.

As the governor tells it, Proposition 16 is small potatoes. \$50 million gets lost in a state with a budget of \$81 billion. Indeed, there are dozens of appropriations just like this one. That's why we're baffled why the legislators and the governor didn't just pay the \$50 million out of the state budget. Since bond financing almost doubles the cost of any government project, it seems like they are purposely trying to cost taxpayers more than necessary.

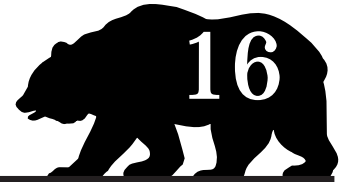
We agree that our veterans are deserving of respect. If indeed we seek a place for elderly or infirm veterans to live, it would be a lot less expensive to place them in private retirement homes and hospitals. The government could contract with existing facilities—not build new ones.

Of course, all of the veterans organizations support this. Of course, almost every legislator voted for it. After all, it's easy to cast a "pro-veteran" vote. But when will our legislators be really courageous—and cast a pro-taxpayer vote?

GAIL K. LIGHTFOOT
Past Chair, Libertarian Party of California

LARRY HINES
U. S. Marine Corps veteran

TED BROWN
Insurance Adjuster/Investigator



Veterans' Homes Bond Act of 2000.

Argument Against Proposition 16

In an orgy of spending, California legislators passed an \$81 billion budget for Fiscal Year 2000. That's up from \$63 billion just four years ago. There was a \$4 billion budget surplus this year. That's money that should have been refunded to taxpayers. In fact, each family could have received over \$330 to spend as they chose. But instead most of our legislators—Democrat and Republican alike—found ways to spend this money on new government programs.

What does this have to do with Proposition 16? Well, if the legislators had an extra \$4 billion to play around with, why didn't they spend a relatively paltry \$50 million of it (about 1.25% of the surplus) on the proposed veterans homes—and save us more election costs?

No, they couldn't do that. They had to spend it immediately. Now if voters say "yes" on Proposition 16, the veterans homes won't just cost \$50 million. BONDS ALMOST DOUBLE THE COST OF ANY GOVERNMENT PROJECT. Taxpayers will have to pay the interest on these bonds for the next 25 years. So, at the end, we'll be out about \$90 million.

So we see that this proposal would have cost a lot less if it was paid for out of the current budget. But let's ask: do we really need to build these veterans homes at all?

The federal government, under the Department of Veterans Affairs, provides generous benefits to our veterans—from medical care, to job training, to college education, to no money down home loans. There's really no need for the State of California to provide any veterans benefits.

There are 1525 veterans currently staying at veterans homes in Yountville and Barstow. This is not a big number. Proposition 16 seeks funds to build even more of these small facilities. It's highly likely that these veterans receive a pension from the federal government, and perhaps from a career subsequent to their military service. Should California taxpayers be providing them with shelter? It seems as if they and their families could arrange this privately.

Even if we concede that California taxpayers should pay to house veterans, the veterans could stay at privately-owned retirement facilities. Whenever the government is involved in a building project, it costs a lot more than a private enterprise project. Governments require an expensive approval process, then require contractors to pay the prevailing union wage for construction, which is more than the low bidder would pay. The losers: the taxpayers.

Send a message to legislators. There are alternatives to spending tax money on veterans homes. There also should be some punishment for squandering a hefty budget surplus, instead of refunding it to taxpayers, or even spending it on this relatively small project. Please vote NO on Proposition 16.

GAIL K. LIGHTFOOT
Past Chair, Libertarian Party of California

TED BROWN
Insurance Adjuster/Investigator

LARRY HINES
U. S. Marine Corps Veteran

Rebuttal to Argument Against Proposition 16

Pearl Harbor, Iwo Jima, Omaha Beach, Utah Beach, Battle of the Bulge, Inch'on, Khe Sanh, Kuwait, Bosnia, Kosovo.

These are some of the battle sites where U.S. military veterans took up arms in defense of Democracy.

Our friends, buddies and relatives fought the enemies of this great country on foreign soil. Hundreds of thousands did not return. Millions were wounded in battle, many seriously.

Those of us who came home alive returned with a heavy heart for comrades in arms who did not return with us. But we also returned with a deep sense of pride and accomplishment.

Proposition 16 is about those who lived, those of us who risked our lives and returned to help build this great state and country. This bond measure is about us—and the more than three million U.S. veterans in this state who we represent.

We do not ask much. But we do ask you, the voter, to think about the freedoms you enjoy because of veterans who did their duty and put their lives in jeopardy so that we could all live free.

We answered the call when our country needed our help. We now ask you to consider supporting this modest measure to build veterans' homes for aging veterans who can no longer care for themselves.

Proposition 16 will not raise your taxes. No new taxes will be raised or collected to fund this measure.

We appreciate your support and consideration. Please vote "yes" on Proposition 16.

WILLY WILKIN
California State Commander of the American Legion

RICHARD EUBANK
California State Commander, Veterans of Foreign Wars

GEORGES ROBIN
California Legislative Officer, Military Order of the Purple Heart