

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.