

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
---------	---------	--------

Assembly:	Ayes 75	Noes 0
-----------	---------	--------

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.