

SUBJECT: \$1 billion in bonds for veterans' housing loans, aged homes, and cemeteries

COMMITTEE: State, Federal and International Relations — favorable, without amendment

VOTE: 8 ayes — Hunter, Berman, Chavez, Elkins, Madden, Miller, Najera, Raymond
0 nays
1 absent — P. Moreno

WITNESSES: For — David Dewhurst, Texas General Land Office/Texas Veterans Land Board; Jerry Patterson, Texas Coalition of Veterans Associations
Against — None
On — Rusty Martin, Texas General Land Office/Texas Veterans Land Board

BACKGROUND: The Texas Veterans' Land Program, established in 1949, uses bond funding to purchase land and then resell it to eligible veterans under a 30-year contract of sale and purchase. The Veterans' Housing Assistance Program, established in 1983, assists eligible Texas veterans in purchasing new or existing homes by providing low-interest loans up to \$150,000. The Veterans' Financial Assistance Program, established in 1993, provides financial assistance to veterans for the purchase of land and for home mortgage loans. All three programs are administered by the Veterans' Land Board (VLB) through the General Land Office. Statutory authority is set forth in Natural Resources Code, chapters 161, 162, and 164.

In 1993, Texas voters approved Texas Constitution Art. 3, sec. 49-b-2, which authorized \$750 million in general revenue bonds for VLB loan programs, including \$500 million for the Veterans Housing Assistance Fund II that was created by the amendment. Texas voters amended the constitution again in 1995 to authorize an additional \$500 million in bonds for veterans' housing programs.

General obligation bonds are backed by the full faith and credit of the state, and the state guarantees that it will repay its debt to bondholders, with interest, with the first money coming into the state Treasury each fiscal year. Some general obligation debt, like the veterans' land bonds, is paid off with revenues from the programs they support and are thus considered self supporting.

In 1999, the 76th Legislature approved SB 1509 by Truan, which authorized the VLB to purchase more than one tract of land at a time. The legislation also raised the ceiling on home mortgage loans from the Veterans' Housing Assistance Fund from \$45,000 to the maximum amount allowable for a similar home mortgage loan through the United States Department of Veterans Affairs, which currently is \$150,000 per mortgage.

DIGEST: HJR 82 would allow voters to authorize the sale of up to \$1 billion in general obligation bonds to provide additional funding for the veterans' home mortgage loan program.

HJR 82 also would permit the Veterans Land Board to authorize use of some of the proceeds of the fund to construct, acquire, own, operate, maintain, enlarge, improve, furnish, or equip veterans' homes or veteran cemeteries.

The proposal would be presented to the voters at an election on November 6, 2001. The ballot proposal would read: "The constitutional amendment authorizing the Veterans' Land Board to issue up to \$1 billion in general obligation bonds payable from the general revenues of the state for veterans' housing assistance and to use assets in certain veterans' land and veterans' housing assistance funds to provide veterans homes for the aged or infirm and veterans cemeteries and to make principal, interest, and bond enhancement payments on revenue bonds."

SUPPORTERS SAY: HJR 82 would provide much needed support to meet the increasing demand for veterans' home mortgage loans, which have grown in popularity since the Legislature raised the cap on these loans in 1999. VLB programs also have grown because of lower interest rates, special discounts, and expanded eligibility for veterans and their surviving spouses. Since 1999, VLB has made 7,631 loans totaling \$826.3 million. More than 47,500 loans totaling almost \$2 billion have been made since the inception of the program.

HJR 82 would provide bond funding for loans that pose almost no financial risk to the state. The \$1 billion would not count toward the constitutional ceiling on state debt. Prudent loan and investment practices have made the veterans' programs self-sufficient, and veterans using the program, rather than the taxpayers of Texas, would be responsible for retiring the debt and paying the interest. Also, the foreclosure rate on veterans' land board loans is very low. The foreclosure rate for both the land and housing programs is approximately 0.5 percent. The total rate for loans in foreclosure or over 60 days delinquent is about 2.88 percent, well below national averages for these types of loans. Foreclosed property is sold, and the proceeds remain in the program.

HJR 82 would provide the VLB with the flexibility to expand the number of existing veterans homes and to develop a state veterans' cemetery program. More than 1.6 million Texas veterans receive relatively few state benefits for the sacrifices they have made serving their country. Many aging veterans are in need of the long-term care provided by state veterans' homes. National veterans cemeteries are located in San Antonio, Houston, Dallas, and El Paso, but a state veteran cemetery system also would serve the large number of Texas veterans who live outside those metropolitan areas.

OPPONENTS
SAY:

The proposed amendment would increase state debt at a time when many needed state programs are not adequately funded. As popular and worthy as veterans' housing programs may be, they should not be granted special budgetary status apart from other programs funded through the general revenue budget. Voters should be wary of authorizing more state debt.

Texas veterans deserve aid, but they already are eligible for many benefits, including federal Veterans' Administration housing loans, college tuition assistance, and hiring preference for federal and state civil service jobs. Regardless of need or income, veterans can obtain government-subsidized mortgages at interest rates lower than those available to other home buyers.

NOTES:

HB 3097 by Counts, also on today's General State Calendar, would authorize the VLB to use assets of the veterans' land fund to provide for one or more veterans' homes.

HB 310 by Flores, which would provide for the Texas state veterans cemetery system authorized by HJR 82, was reported favorably by the State, Federal and International Relations Committee on March 6.

The companion, SJR 38 by Truan, was referred to the Senate Finance Committee.