

SUBJECT: Allowing Veterans' Land Board to use excess assets for veterans' homes

COMMITTEE: Defense Affairs and State-Federal Relations — committee substitute recommended

VOTE: 7 ayes — Corte, Berman, Delisi, Mabry, Merritt, P. Moreno, Seaman
0 nays
2 absent — Campbell, Noriega

WITNESSES: For — Jerry Patterson, Veterans' Land Board
Against — None
On — Rusty Martin, Veterans' Land Board

BACKGROUND: Texas Constitution, Art. 3, sec. 49-b establishes the Veterans' Land Board (VLB) and the Veterans' Land Fund, Veterans' Housing Assistance Fund, and Veterans' Housing Assistance Fund II. The Veterans' Land Program, established in 1949, uses bond funding to buy 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, helps eligible Texas veterans buy 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 VLB through the General Land Office, as authorized under Natural Resources Code, chapters 161, 162, and 164. The bond debt is repaid with revenue, such as loan repayments with interest, from the programs that the bonds support.

The VLB also operates four veterans' homes throughout the state with skilled nursing facilities that provide long-term care for veterans and some qualified dependents. In November 2001, Texas voters approved Proposition 7 (HJR 82 by Counts, et al./Truan), amending the Constitution to allow the VLB to use excess receipts and assets from the Veterans' Land and Veterans' Housing Assistance funds for veterans' cemeteries.

DIGEST: CSHJR 68 would amend Art. 3, sec. 49-b of the Texas Constitution to allow the VLB to use excess assets from the Veterans' Land and Veterans' Housing Assistance funds to plan, design, build, acquire, own, operate, maintain, enlarge, improve, furnish, or equip veterans' homes. It also would delete a provision that limits the VLB to using excess fund receipts to pay principal and interest or to make bond enhancement payments on revenue bonds issued only in connection with the Veterans' Land and Veterans' Housing Assistance funds.

The ballot proposal would be presented to voters on September 13, 2003, and would read: "The constitutional amendment authorizing the Veterans' Land Board to use assets in certain veterans' land and veterans' housing assistance funds to provide veterans homes for the aged or infirm and to make principal, interest, and bond enhancement payments on revenue bonds. "

SUPPORTERS SAY: CSHJR 68 would enable the VLB to use excess receipts and assets from the Veterans' Land and Veterans' Housing Assistance funds to support veterans' homes, for which the board lacks constitutional authority, even though it administers all three programs. It would give the VLB an alternate financing option for building new veterans' homes, saving \$1.35 million per home in costs related to bond issuances for initial construction. This flexibility also would allow the VLB to exercise more fiscal prudence by covering some of its short-term expenses without issuing new bonds.

This proposal would build on the foundation laid by voters in 2001 by further opening excess receipts and assets for use on veterans' homes. Veterans who now are paying back their land and home loans to the VLB are the same people who, in the future, could be living in veterans' homes or buried in a veterans' cemetery. The programs for veterans and their beneficiaries are so interconnected that using excesses in one program to support another simply would further their common goal: to reward veterans for their service and sacrifice.

CSHJR 68 also would enable the VLB to obtain better credit ratings, thus making bonds easier to sell to potential investors and lowering interest costs by about \$2.5 million. It would provide greater security for investors who buy revenue bonds issued in connection with the veterans' home program and other noncollateralized revenue bonds issued by the VLB.

**OPPONENTS
SAY:**

It would be inappropriate for the VLB to use receipts from veterans who are repaying money they borrowed to buy land, or to buy or remodel a home, to support veterans' homes. While some borrowers may benefit from VLB's other programs in the future, some never will interact with the VLB again after repaying their loans. These veterans should not have to subsidize programs from which they may never benefit.

NOTES:

As filed, HJR 68 would have specified an election date of November 4, 2003.

The enabling bill, HB 1749 by Hupp, is also on today's House calendar.

The companion proposal, SJR 46 by Fraser, was reported favorably, without amendment, by the Senate Veteran Affairs and Military Installations Committee on April 22.

As originally adopted by the House during 77th Legislature's 2001 regular session, HJR 82 by Counts, et al. would have authorized use of veterans' land and house assistance funds to develop additional long-term care facilities for aged veterans. This provision was removed from the final version submitted to the voters.