

SUBJECT: Removing use limitation on Veterans' Land Board excess assets

COMMITTEE: Defense Affairs and State-Federal Relations — favorable, without amendment

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.

Natural Resources Code, sec. 164.009 is the statutory counterpart to the constitutional provision regarding security for VLB bonds. The statute allows the VLB to pledge, as security for payment of the bonds that it issues, all receipts and assets of the Veterans' Land and Veterans' Housing Assistance funds not required for the payment of bond principal or interest, if the bonds

are issued to provide funds to buy land and sell land to veterans or to make home mortgage loans to veterans.

DIGEST: HB 1749 would repeal the restriction in Natural Resources Code, sec. 164.009 that limits the pledging of excess receipts and assets as security for bond payments to bonds that are issued in connection with the Veterans' Land and Veterans' Housing Assistance funds.

The bill would take effect on the effective date of HJR 68 by Hupp, the proposed constitutional amendment authorizing the VLB to use excess fund receipts and assets to provide for veterans' homes, which would be submitted to voters on September 13, 2003. If voters did not approve HJR 68, HB 1749 would not take effect.

SUPPORTERS SAY: HB 1749 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. It would enable the VLB to obtain better credit ratings on bonds, thus making the bonds easier to sell to potential investors and lowering interest costs by about \$2.5 million under present market conditions.

The bill would build on the foundation laid by voters in 2001 by further opening excess receipts and assets from the Veterans' Land and Veterans' Housing Assistance funds to securitize bonds for veterans' homes or any other VLB bonds. The 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 furthers their common goal: to reward veterans for their service and sacrifice.

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 land or home loans. These veterans should not have to subsidize programs from which they may never benefit.

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NOTES:

HB 1749 would be the enabling legislation for HJR 68 by Hupp, which would amend the Constitution to allow excess assets of the veterans land and housing funds to be used for veterans homes and also is on today's House calendar.

The companion bill, SB 1103 by Fraser, was reported favorably, without amendment, by the Senate Veteran Affairs and Military Installations Committee on April 22.