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LENDING OR GIFT OF PUBLIC MONEY

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19 LENDING OR GIFT OF PUBLIC MONEY. Senate Constitutional Amendment 32. Amends section 31 of Article IV of Constitution. Provides that nothing in Constitution shall prohibit distribution of any surplus in the veterans' farm and home building fund arising out of the operation of the Veterans' Farm and Home Purchase Act of 1921, by refunds, or credits on account, or otherwise, to veterans who served in United States military or naval service during time of war and who are or have been purchasers under act, and whose payments thereunder have contributed to such surplus. Prescribes ratio for said distribution.	YES
	NO

(For full text of measure, see page 42, Part II)

Argument in Favor of Senate Constitutional Amendment No. 32

The Veterans' Welfare Act was adopted by the people at the General Election in 1922, providing a plan to aid veterans in the purchase of homes and farms on long term contracts.

Some eighteen thousand veterans have purchased farms or homes under this most beneficial legislation. As property owners, these veterans have become fine, stabilized citizens.

If a cash bonus had been paid to California World War veterans, as was done by many states for their veterans, it would have cost the taxpayers of the State of California probably \$75,000,000 or more.

This farm and home purchase program of assistance to veterans has not cost the taxpayers of the State of California one cent, the entire cost of administering the act being covered by an administration charge paid by the veterans.

The actual administration cost has been considerably less than that originally estimated. The board has, through careful foresight and efficient management, succeeded in securing funds by timely sales of bonds at interest rates lower than those charged the veterans, and by obtaining substantial premiums from bond buyers. These factors, in addition to the saving in administrative costs, contribute to a probable ultimate surplus.

When the people of the State of California approved this most beneficial veterans' legislation, they, we feel, did not intend to make a profit out of the veterans of this State.

The act was simply and purely beneficial legislation to assist veterans in becoming home and farm owners and to do so at the least possible cost to them, in gratitude for their service to the country in time of war.

If the cost of the administration of the act has been less than paid by the veterans, and if the cost of securing the money to purchase the property has been considerably less than the five per cent interest paid by the veterans, then any surplus accruing in the Veterans'

Welfare Board funds should inure to the benefit of the veteran home or farm purchasers.

This constitutional amendment simply authorizes the refunding of any surplus which may accrue to the veteran purchasers at any time and in any manner at the discretion of the Veterans' Welfare Board and the Veterans' Welfare Finance Committee.

VOTE "YES."

ROY J. NIELSEN,
Senator, Nineteenth District.

W. P. RICH,
Senator, Tenth District.

Argument Against Senate Constitutional Amendment No. 32

Why give one veteran an advantage and benefit not given to another veteran under similar circumstances; or penalize one veteran at the expense of another; as will be permitted if this measure is approved by the voters?

In November, 1922, a ten million dollar State bond issue, authorized by the Legislature for the purpose of aiding those veterans who served in the military or naval service of the United States during time of war was approved and the constitutional prohibition against the use of State money or credit was removed in this connection by amendment to the constitution to provide veterans with the opportunity to acquire farms and homes.

Pursuant to this authority, the Legislature passed the "Veterans Farm and Home Purchase Act"; and the board created thereunder has since borrowed money and loaned money to veterans at low rates of interest, made possible by large borrowings, exemption from taxation of all property owned by the board being purchased by veterans, rent free quarters in State buildings, and small overhead expenses.

While intended for the benefit of all veterans, those veterans who have taken advantage

of the privilege of this law have not only secured the full benefits intended thereunder for them but have received, in addition, other benefits in the form of even lower interest rates than contemplated, and the application of a \$1,000 veterans annual tax exemption against their interest in property purchased.

In order to make these benefits available to veterans, taxpayers have had to pay additional thousands of dollars in taxes to offset such personal and property tax exemptions and the removal from tax rolls of this tax exempt property.

Consequently, a surplus of some \$3,335,000 has been accumulated which, under this measure can be returned immediately only to veterans who have contracted to buy homes in proportion to the amount paid in under contracts. Distribution of the surplus now will force unjustly other veterans to pay higher interest rates and charges to offset losses sustained by the board through sale or depreciation of foreclosed property, or due to inflation and increased costs.

This measure will produce endless litigation and confusion. Distribution of the surplus

must be made in proportion to the amount paid in by each veteran, which is impossible as to dead or missing veterans. Consequently, unnecessary and endless litigation by heirs or speculators purchasing "interests" will require another amendment to avoid further confusion.

Inasmuch as there is no intention to distribute this fund until February 1, 1956, there is ample time to submit another measure, free of the admitted defects of this measure, that will not impose a hardship on one veteran for another's benefit, or an added tax burden to liquidate any remaining indebtedness, which can be avoided by retaining the present surplus as a reserve against emergencies or contingencies until the act has served its intended purpose, at which time any remaining funds could be distributed pro rata to veterans applying within a stated time limit.

Respectfully submitted.

ROBERT H. FOUKE,
Attorney at Law,
President, Young Voters
League of California.