2008

VETERANS' BOND ACT OF 2008.

PROPOSITION
12 VETERANS' BOND ACT OF 2008.

OFFICIAL TITLE AND SUMMARY — PREPARED BY THE ATTORNEY GENERAL

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.

For text of Proposition 12, see page 140.

★ ARGUMENT IN FAVOR OF PROPOSITION 12 ★

On November 7, 1922, the people of California authorized the very first Veterans' Bond Act for the Cal-Vet Home Loan Program. Over the past 85 years there have been 26 Veterans' Bond Acts and Californians have consistently recognized the special debt we owe to those who have served our country in the armed forces by approving all of these bonds.

The Cal-Vet Home Loan Program enables veterans to obtain low-interest rate loans for the purchase of conventional homes, manufactured homes, and mobile homes without costing the taxpayers one cent. More than 420,000 California veterans, including those who served during World War I, World War II, Korea, Vietnam, and more recently, in Iraq and Afghanistan, have become homeowners under the Cal-Vet Home Loan Program.

All costs of the program, including all administration costs, are paid for by veterans holding loans. There have never been any costs to the taxpayers of California, so this is a fiscally sound way to assist veteran men and women as they return to civilian life.

The program is also good for the California economy because, in addition to helping veterans, Cal-Vet home loans generate thousands of housing industry-related jobs with millions of dollars in annual payrolls.

As these bonds are repaid by the veterans, new bonds must be authorized to continue this self-supporting program serving our veterans. That is the purpose of Proposition 12.

This measure was placed on the ballot by a unanimous vote of 75–0 in the State Assembly and 39–0 in the State Senate.

Approval of Proposition 12 will prove once again that Californians keep their promises to the men and women who perform the duty of defending our state and country. It is an appropriate expression of our appreciation for their service and sacrifice.

Your "Yes" Vote on Proposition 12 will enable more veterans to buy homes in California and help the economy at the same time, all with no direct cost to the state's taxpayers.

SENATOR MARK WYLAND, Chairman
Senate Committee on Veterans Affairs
ASSEMBLYMAN GREG AGHAZARIAN
ASSEMBLYMAN TONY STRICKLAND

★ REBUTTAL TO ARGUMENT IN FAVOR OF PROPOSITION 12 ★

If it were true, as proponents claim, that state government can borrow money by selling bonds and then make *"low interest rate loans . . . without costing taxpayers one cent,"* then the government could cheaply borrow and loan money to everyone—not just to some veterans.

The truth, though, is that money can be raised by selling government bonds that pay below-market interest only because the interest paid to bondholders is tax free under federal and state law. In that round-about way, all federal and state taxpayers greatly help foot the bill for all bonds sold (and for all projects or programs funded).

In addition, if anyone who receives a Cal-Vet loan does not make the payments and cannot sell the property *at a time of declining housing prices*, state taxpayers will be liable for any shortfall.

Still, providing low interest housing loans to the most needy and deserving veterans may be justified *IF* limited to the most needy and deserving veterans—such as those veterans who were injured in combat or at least served in combat or in a combat zone. Currently, the Cal-Vet Loan Program is *NOT* so limited.

As a planet and as a nation and a state, we face enormous challenges. We need new leaders and new initiatives that seriously address those challenges.

The Cal-Vet Loan Program is an old idea that benefits some special interests and a relatively small number of veterans.

GARY WESLEY

★ ARGUMENT AGAINST PROPOSITION 12 ★

While our national political leaders may not always be wise in directing the use of American military force around the world, we rightly honor military service—especially the service of enlistees who actually put their lives at risk in combat.

Enlistees should receive higher pay and benefits from the federal government. In the context of low pay and inadequate benefits from the federal government, state governments certainly are justified in stepping in and providing additional assistance.

The Cal-Vet Loan Program has provided low-interest farm and housing loans to veterans for many years. This measure would authorize the State to borrow more money (by selling bonds) to provide additional funds for the Program. The amount to be borrowed is $900 million.

Since funds are limited, the question is:

WHICH VETERANS ARE THE MOST DESERVING OF ASSISTANCE?

Cal-Vet loans are limited to veterans who served in the *time* of a war—including the Korean and Vietnam conflicts and the current campaigns in Afghanistan and Iraq. There is no requirement for the veteran to have served in combat or even in a combat zone. A veteran who served in Germany or never even left the United States can apply for a loan. The veterans who actually served in harm's way are most deserving of the limited assistance available under the Cal-Vet Loan Program.

California voters could reasonably insist that the Cal-Vet Loan Program be limited to veterans who served in combat or a combat zone before they approve more borrowing to fund the Program.

GARY WESLEY

★ REBUTTAL TO ARGUMENT AGAINST PROPOSITION 12 ★

The opponents to Proposition 12 are wrong.

In fact, the Cal-Vet Home Loan Program helps all veterans who have served honorably with home loans. All veterans have served our country and have been given the responsibility to defend our nation no matter the circumstances.

Many who had to fight in combat did not know when they entered the service that they would be called upon to protect us in war, yet they did so with honor. Others who served our nation in peacetime also protected us and were willing to do so at any cost.

The least we can do to repay the brave service of the men and women of our armed forces is to assist them with home loans, which is the key to the American dream of homeownership.

The bonds to fund these loans cost taxpayers nothing because the mortgage payments from the veterans pay back the bonds and all other costs to administer the Cal-Vet Home Loan Program.

Over the past 85 years, the Cal-Vet Home Loan Program has helped over 420,000 veterans. Please help us to continue this worthy program.

We urge a yes vote on Proposition 12.

SENATOR MARK WYLAND, Chairman
Senate Committee on Veterans Affairs
ASSEMBLYMAN GREG AGHAZARIAN
ASSEMBLYMAN TONY STRICKLAND

Arguments printed on this page are the opinions of the authors and have not been checked for accuracy by any official agency.

This section provides an overview of the state's current situation involving bond debt. It also discusses the impact that the bond measures on this ballot, if approved, would have on the state's debt level and the costs of paying off such debt over time.

Background

What Is Bond Financing? Bond financing is a type of long-term borrowing that the state uses to raise money for various purposes. The state obtains this money by selling bonds to investors. In exchange, it agrees to repay this money, with interest, according to a specified schedule.

Why Are Bonds Used? The state has traditionally used bonds to finance major capital outlay projects such as roads, educational facilities, prisons, parks, water projects, and office buildings (that is, public infrastructure-related projects). This is done mainly because these facilities provide services over many years, their large dollar costs can be difficult to pay for all at once, and the different taxpayers who pay off the bonds benefit over time from the facilities. Bonds also have been used to help finance certain private infrastructure, such as housing.

What Types of Bonds Does the State Sell? The state sells three major types of bonds to finance projects. These are:

- ***General Obligation Bonds.*** Most of these are directly paid off from the state's General Fund, which is largely supported by tax revenues. Some, however, are paid for by designated revenue sources, with the General Fund only providing back-up support in the event the revenues fall short. (An example is the Cal-Vet program, under which bonds are issued to provide home loans to veterans and are paid off using veterans' mortgage payments.) General obligation bonds must be approved by the voters and their repayment is guaranteed by the state's general taxing power.
- ***Lease-Revenue Bonds.*** These bonds are paid off from lease payments (primarily financed from the General Fund) by state agencies using the facilities the bonds finance. These bonds do not require voter approval and are not guaranteed by the state's general taxing power. As a result, they have somewhat higher interest costs than general obligation bonds.
- ***Traditional Revenue Bonds.*** These also finance capital projects but are not supported by the General Fund. Rather, they are paid off from a designated revenue stream generated by the projects they finance—such as bridge tolls. These bonds also are not guaranteed by the state's general taxing power and do not require voter approval.

Budget-Related Bonds. Recently, the state has also used bond financing to help close major shortfalls in its General Fund budget. In March 2004, the voters approved Proposition 57, authorizing $15 billion in general obligation bonds to help pay off the state's accumulated budget deficit and other obligations. Of this amount, $11.3 billion was raised through bond sales in May and June of 2004, and the remaining available authorizations were sold in February 2008. These bonds will be paid off over the next several years. They are excluded from the remainder of this discussion, which focuses on infrastructure-related bonds.

What Are the Direct Costs of Bond Financing? The state's cost for using bonds depends primarily on the amount sold, their interest rates, the time period over which they are repaid, and their maturity structure. For example, the most recently sold general obligation bonds will be paid off over a 30-year period with fairly level annual payments. Assuming that a bond issue carries a tax-exempt interest rate of 5 percent, the cost of paying it off with level payments over 30 years is close to $2 for each dollar borrowed—$1 for the amount borrowed and close to $1 for interest. This cost, however, is spread over the entire 30-year period, so the cost after adjusting for inflation is considerably less—about $1.30 for each $1 borrowed.

The State's Current Debt Situation

Amount of General Fund Debt. As of June 1, 2008, the state had about $53 billion of infrastructure-related General Fund bond debt outstanding on which it is making principal and interest payments. This consists of about $45 billion of general obligation bonds and $8 billion of lease-revenue bonds. In addition, the state has not yet sold about $68 billion of authorized general obligation and lease-revenue infrastructure bonds. Most of these bonds have been committed to projects, but the projects involved have not yet been started or those in progress have not yet reached their major construction phase.

General Fund Debt Payments. We estimate that General Fund debt payments for infrastructure-related general obligation and lease-revenue bonds were about $4.4 billion in 2007–08. As previously authorized but currently unsold bonds are marketed, outstanding bond debt costs will rise, peaking at approximately $9.2 billion in 2017–18.

Debt-Service Ratio. One indicator of the state's debt situation is its debt-service ratio (DSR). This ratio indicates the portion of the state's annual revenues that must be set aside for debt-service payments on infrastructure bonds and therefore are not available for other state programs. As shown in Figure 1, the DSR increased in the early 1990s and peaked at 5.4 percent before falling back to below 3 percent in 2002–03, partly due to some deficit-refinancing activities. The DSR then rose again beginning in 2003–04 and currently stands at 4.4 percent for infrastructure bonds. It is expected to increase to a peak of 6.1 percent in 2011–12 as currently authorized bonds are sold.

Effects of the Bond Propositions on This Ballot

There are four general obligation bond measures on this ballot, totaling $16.8 billion in new authorizations. These include:

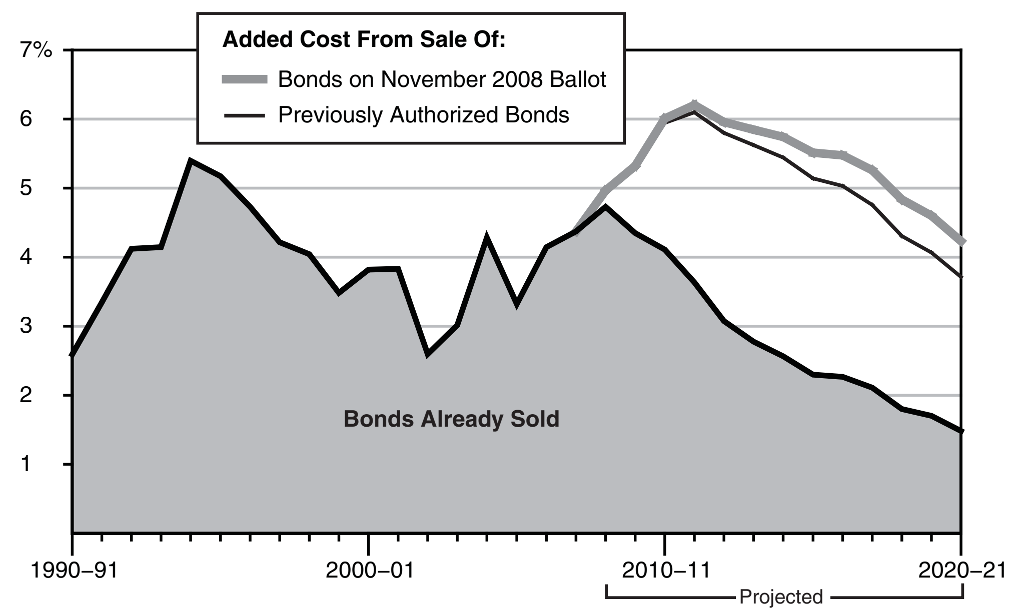
- Proposition 1, which would authorize the state to issue $9.95 billion of bonds to finance a high-speed rail project.
- Proposition 3, which would authorize the state to issue $980 million of bonds for capital improvement projects at children's hospitals.
- Proposition 10, which would authorize the state to issue $5 billion of bonds for various renewable energy, alternative fuel, energy efficiency, and air emissions reduction purposes.
- Proposition 12, which would authorize the state to issue $900 million of bonds under the Cal-Vet program to be paid off from mortgage payments.

Impacts on Debt Payments. If the three General Fund-supported bonds on this ballot (Propositions 1, 3, and 10) are all approved, they would require total debt-service payments over the life of the bonds of about twice their authorized amount. The average annual debt service on the bonds would depend on the timing and conditions of their sales. Once all these bonds were sold, the estimated annual budgetary cost would be about $1 billion.

Impact on the Debt-Service Ratio. Figure 1 shows what would happen to the state's estimated DSR over time if all of the bonds were approved and sold. It would peak at 6.2 percent in 2011–12, and decline thereafter. (Future debt-service costs shown in Figure 1 would be higher if, for example, voters approved additional bonds in elections after November 2008.)

Figure 1

General Fund Debt-Service Ratio[a]



[a] Ratio of annual debt-service payments on infrastructure-related bonds to revenues and transfers.

QUICK-REFERENCE GUIDE

PROP 11 REDISTRICTING. INITIATIVE CONSTITUTIONAL AMENDMENT AND STATUTE.

SUMMARY

Put on the Ballot by Petition Signatures

Changes authority for establishing state office boundaries from elected representatives to commission. Establishes multilevel process to select commissioners from registered voter pool. Commission comprised of Democrats, Republicans, and representatives of neither party. Fiscal Impact: Potential increase in state redistricting costs once every ten years due to two entities performing redistricting. Any increase in costs probably would not be significant.

WHAT YOUR VOTE MEANS

YES A YES vote on this measure means: Boundaries for State Senate, Assembly, and Board of Equalization districts would be drawn by a new commission made up of California registered voters. Boundaries for U.S. House of Representatives districts would continue to be drawn by the Legislature.

NO A NO vote on this measure means: Boundaries for State Senate, Assembly, Board of Equalization, and U.S. House of Representatives districts would continue to be drawn by the Legislature.

ARGUMENTS

PRO YES on 11 ends the conflict of interest of politicians drawing their own election districts. 11 means *fair districts drawn by a citizens commission following clear rules and open to the public.* It holds *politicians accountable for solving problems like gas prices, healthcare, and education.* Yes on 11—CHANGE Sacramento.

CON Politicians paid millions to put Prop. 11 on the ballot to change the Constitution, create a costly new bureaucracy, and give the power of drawing districts to people who are *never elected* and *never accountable to voters.* Read it yourself. Preserve the power of your vote! Vote No!

FOR ADDITIONAL INFORMATION

FOR
Yes on Prop. 11
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AGAINST
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PROP 12 VETERANS' BOND ACT OF 2008.

SUMMARY

Put on the Ballot by the Legislature

This act provides for a bond issue of nine hundred million dollars ($900,000,000) to provide farm and home aid for California veterans. 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.

WHAT YOUR VOTE MEANS

YES A YES vote on this measure means: The state would be able to issue $900 million in general obligation bonds to provide loans for the veterans' farm and home purchase (Cal-Vet) program.

NO A NO vote on this measure means: The state would not be able to issue these bonds for this purpose.

ARGUMENTS

PRO The time-honored Cal-Vet Home Loan Program helps veterans to purchase homes in California at no expense to taxpayers. Voter approved bonds finance the Program and are repaid, along with all program costs, by the loan holders. This measure would replenish the program's funding. We urge your support.

CON Proposition 12 would authorize the sale of another $900 million in bonds to provide low-interest home (and farm) loans to "veterans." Voters may wish to end the program or insist that it be limited to the most needy and deserving veterans—such as those injured in combat.

FOR ADDITIONAL INFORMATION

FOR
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AGAINST
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of the commission.

(7) The commission shall establish and implement an open hearing process for public input and deliberation that shall be subject to public notice and promoted through a thorough outreach program to solicit broad public participation in the redistricting public review process. The hearing process shall include hearings to receive public input before the commission draws any maps and hearings following the drawing and display of any commission maps. In addition, hearings shall be supplemented with other activities as appropriate to further increase opportunities for the public to observe and participate in the review process. The commission shall display the maps for public comment in a manner designed to achieve the widest public access reasonably possible. Public comment shall be taken for at least 14 days from the date of public display of any map.

(b) The Legislature shall take all steps necessary to ensure that a complete and accurate computerized database is available for redistricting, and that procedures are in place to provide the public ready access to redistricting data and computer software for drawing maps. Upon the commission's formation and until its dissolution, the Legislature shall coordinate these efforts with the commission.

8253.5. Citizens Redistricting Commission Compensation.

Members of the commission shall be compensated at the rate of three hundred dollars ($300) for each day the member is engaged in commission business. For each succeeding commission, the rate of compensation shall be adjusted in each year ending in nine by the cumulative change in the California Consumer Price Index, or its successor. Members of the panel and the commission are eligible for reimbursement of personal expenses incurred in connection with the duties performed pursuant to this act. A member's residence is deemed to be the member's post of duty for purposes of reimbursement of expenses.

8253.6. Citizens Redistricting Commission Budget, Fiscal Oversight.

(a) In 2009, and in each year ending in nine thereafter, the Governor shall include in the Governor's Budget submitted to the Legislature pursuant to Section 12 of Article IV of the California Constitution amounts of funding for the State Auditor, the Citizens Redistricting Commission, and the Secretary of State that are sufficient to meet the estimated expenses of each of those officers or entities in implementing the redistricting process required by this act for a three-year period, including, but not limited to, adequate funding for a statewide outreach program to solicit broad public participation in the redistricting process. The Governor shall also make adequate office space available for the operation of the commission. The Legislature shall make the necessary appropriation in the Budget Act, and the appropriation shall be available during the entire three-year period. The appropriation made shall be equal to the greater of three million dollars ($3,000,000), or the amount expended pursuant to this subdivision in the immediately proceeding redistricting process, as each amount is adjusted by the cumulative change in the California Consumer Price Index, or its successor, since the date of the immediately preceding appropriation made pursuant to this subdivision. The Legislature may make additional appropriations in any year in which it determines that the commission requires additional funding in order to fulfill its duties.

(b) The commission, with fiscal oversight from the Department of Finance or its successor, shall have procurement and contracting authority and may hire staff and consultants, exempt from the civil service requirements of Article VII of the California Constitution, for the purposes of this act, including legal representation.

SEC. 5. Conflicting Ballot Propositions.

(a) In the event that this measure and another measure(s) relating to the redistricting of Senate, Assembly, congressional, or Board of Equalization districts are approved by a majority of voters at the same election, and this measure receives a greater number of affirmative votes than any other such measure(s), this measure shall control in its entirety and the other measure(s) shall be rendered void and without any legal effect. If this measure is approved by a majority of the voters but does not receive a greater number of affirmative votes than the other measure(s), this measure shall take effect to the extent permitted by law.

(b) If any provisions of this measure are superseded by the provisions of any other conflicting measure approved by the voters and receiving a greater number of affirmative votes at the same election, and the conflicting measure is subsequently held to be invalid, the provisions of this measure shall be self-executing and given full force of law.

SEC. 6. Severability.

The provisions of this act are severable. If any provision of this act or its application is held to be invalid, that invalidity shall not affect other provisions or applications that can be given effect without the invalid provision or application.

PROPOSITION 12

This law proposed by Senate Bill 1572 of the 2007–2008 Regular Session (Chapter 122, Statutes of 2008) is submitted to the people in accordance with the provisions of Article XVI of the California Constitution.

This proposed law adds sections to the Military and Veterans Code; therefore, new provisions proposed to be added are printed in *italic type* to indicate that they are new.

PROPOSED LAW

SECTION 1. Article 5x (commencing with Section 998.400) is added to Chapter 6 of Division 4 of the Military and Veterans Code, to read:

Article 5x. Veterans' Bond Act of 2008

998.400. This article may be cited as the Veterans' Bond Act of 2008.

998.401. (a) The State General Obligation Bond Law (Chapter 4 (commencing with Section 16720) of Part 3 of Division 4 of Title 2 of the Government Code), except as otherwise provided herein, is adopted for the purpose of the issuance, sale, and repayment of, and otherwise providing with respect to, the bonds authorized to be issued by this article, and the provisions of that law are included in this article as though set out in full in this article. All references in this article to "herein" refer both to this article and that law.

(b) For purposes of the State General Obligation Bond Law, the Department of Veterans Affairs is designated the board.

998.402. As used herein, the following words have the following meanings:

(a) "Board" means the Department of Veterans Affairs.

(b) "Bond" means veterans' bond, a state general obligation bond, issued pursuant to this article adopting the provisions of the State General Obligation Bond Law.

(c) "Bond act" means this article authorizing the issuance of state general obligation bonds and adopting the State General Obligation Bond Law by reference.

(d) "Committee" means the Veterans' Finance Committee of 1943, established by Section 991.

(e) "Fund" means the Veterans' Farm and Home Building Fund of 1943, established by Section 988.

998.403. For the purpose of creating a fund to provide farm and home aid for veterans in accordance with the Veterans' Farm and Home Purchase Act of 1974 (Article 3.1 (commencing with Section 987.50)), and of all acts amendatory thereof and supplemental thereto, the committee may create a debt or debts, liability or liabilities, of the State of California, in the aggregate amount of not more than nine hundred million dollars ($900,000,000), exclusive of refunding bonds, in the manner provided herein.

998.404. (a) All bonds authorized by this article, when duly sold and delivered as provided herein, constitute valid and legally binding general obligations of the State of California, and the full faith and credit of the State of California is hereby pledged for the punctual payment of both principal and interest thereof.

(b) There shall be collected annually, in the same manner and at the same time as other state revenue is collected, a sum of money, in addition to the ordinary revenues of the state, sufficient to pay the principal of, and interest on, these bonds as provided herein, and all officers required by law to perform any duty in regard to the collection of state revenues shall collect this additional sum.

(c) On the dates on which funds are to be remitted pursuant to Section 16676 of the Government Code for the payment of debt service on the bonds in each fiscal year, there shall be transferred to the General Fund to pay the debt service all of the money in the fund, not in excess of the amount of debt service then due and payable. If the money transferred on the remittance dates is less than debt service then due and payable, the balance remaining unpaid shall be transferred to the General Fund out of the fund as soon as it shall become available, together with interest thereon from the remittance date until paid, at the same rate of interest as borne by the bonds, compounded semiannually. Notwithstanding any other provision of law to the contrary, this subdivision shall apply to all veterans farm and home purchase bond acts pursuant to this

chapter. This subdivision does not grant any lien on the fund or the moneys therein to the holders of any bonds issued under this article. For the purposes of this subdivision, "debt service" means the principal (whether due at maturity, by redemption, or acceleration), premium, if any, or interest payable on any date with respect to any series of bonds. This subdivision shall not apply, however, in the case of any debt service that is payable from the proceeds of any refunding bonds.

998.405. There is hereby appropriated from the General Fund, for purposes of this article, a sum of money that will equal both of the following:

(a) That sum annually necessary to pay the principal of, and the interest on, the bonds issued and sold as provided herein, as that principal and interest become due and payable.

(b) That sum necessary to carry out Section 998.406, appropriated without regard to fiscal years.

998.406. For the purposes of this article, the Director of Finance may, by executive order, authorize the withdrawal from the General Fund of a sum of money not to exceed the amount of the unsold bonds which have been authorized by the committee to be sold pursuant to this article. Any sums withdrawn shall be deposited in the fund. All moneys made available under this section to the board shall be returned by the board to the General Fund, plus the interest that the amounts would have earned in the Pooled Money Investment Account, from the sale of bonds for the purpose of carrying out this article.

998.407. The board may request the Pooled Money Investment Board to make a loan from the Pooled Money Investment Account, in accordance with Section 16312 of the Government Code, for the purposes of carrying out this article. The amount of the request shall not exceed the amount of unsold bonds which the committee has, by resolution, authorized to be sold for the purpose of carrying out this article. The board shall execute whatever documents are required by the Pooled Money Investment Board to obtain and repay the loan. Any amounts loaned shall be deposited in the fund to be allocated by the board in accordance with this article.

998.408. Upon request of the board, supported by a statement of its plans and projects approved by the Governor, the committee shall determine whether to issue any bonds authorized under this article in order to carry out the board's plans and projects, and, if so, the amount of bonds to be issued and sold. Successive issues of bonds may be authorized and sold to carry out these plans and projects progressively, and it is not necessary that all of the bonds be issued or sold at any one time.

998.409. As long as any bonds authorized under this article are outstanding, the Secretary of Veterans Affairs shall, at the close of each fiscal year, require a survey of the financial condition of the Division of Farm and Home Purchases, together with a projection of the division's operations, to be made by an independent public accountant of recognized standing. The results of each survey and projection shall be reported in writing by the public accountant to the Secretary of Veterans Affairs, the California Veterans Board, the appropriate policy committees dealing with veterans affairs in the Senate and the Assembly, and the committee.

The Division of Farm and Home Purchases shall reimburse the public accountant for these services out of any money which the division may have available on deposit with the Treasurer.

998.410. The committee may authorize the Treasurer to sell all or any part of the bonds authorized by this article at the time or times established by the Treasurer.

Whenever the committee deems it necessary for an effective sale of the bonds, the committee may authorize the Treasurer to sell any issue of bonds at less than their par value, notwithstanding Section 16754 of the Government Code. However, the discount on the bonds shall not exceed 3 percent of the par value thereof.

998.411. Out of the first money realized from the sale of bonds as provided herein, there shall be redeposited in the General Obligation Bond Expense Revolving Fund, established by Section 16724.5 of the Government Code, the amount of all expenditures made for the purposes specified in that section, and this money may be used for the same purpose and repaid in the same manner whenever additional bond sales are made.

998.412. Any bonds issued and sold pursuant to this article may be refunded in accordance with Article 6 (commencing with Section 16780) of Chapter 4 of Part 3 of Division 4 of Title 2 of the Government Code. The approval of the voters for the issuance of bonds under this article includes approval for the issuance of bonds issued to refund bonds originally issued or any previously issued refunding bonds.

998.413. Notwithstanding any provision of the bond act, if the Treasurer sells bonds under this article for which bond counsel has issued an opinion to the effect that the interest on the bonds is excludable from gross income for purposes of federal income tax, subject to any conditions which may be designated, the Treasurer may establish separate accounts for the investment of bond proceeds and for the earnings on those proceeds, and may use those proceeds or earnings to pay any rebate, penalty, or other payment required by federal law or take any other action with respect to the investment and use of bond proceeds required or permitted under federal law necessary to maintain the tax-exempt status of the bonds or to obtain any other advantage under federal law on behalf of the funds of this state.

998.414. The Legislature hereby finds and declares that, inasmuch as the proceeds from the sale of bonds authorized by this article are not "proceeds of taxes" as that term is used in Article XIII B of the California Constitution, the disbursement of these proceeds is not subject to the limitations imposed by Article XIII B.