



## **Alaska State Home Building Association**

July 8, 2019

The Honorable Michael Dunleavy  
Governor of Alaska  
State Capital Building  
Juneau, Alaska

Dear Governor:

The Alaska State Home Building Association has reviewed and discussed the list of budget vetoes to HB39 and HB40, the FY20 Operating Budget. As an organization, we have taken the position that the best course of action for our state is for the Legislature to vote to override those vetoes.

We take this position because of our concern for potential harm to the state's economy. There is strong support among many of our members for the state to reduce its budget in order to balance, but there has to be a transition over multiple years that allows for an economic adjustment to this fiscal approach. The vetoes to the Operating Budget, when combined with reductions made by the Legislature during the session, will impact individuals, families, and communities to an extent that will negatively shock the state's housing market.

Our position to support an override is not taken lightly, and we want to see the Legislature work cooperatively with our Governor. There will be further discussions about the state's budget for FY20 and beyond, and we expect those discussions will result in state budget reductions. That is necessary.

Economic analysis on the budget vetoes is minimal, but the potential risks are significant. Home building generates substantial local economic activity, including new income and jobs for residents, and additional revenue for local governments. The National Association of Home Builders (NAHB) has developed a model to estimate these benefits. The model captures the effect of the construction activity itself, the ripple impact that occurs when income earned from construction activity is spent and recycles in the local economy, and the ongoing impact that results from new homes becoming occupied by residents who pay taxes and buy locally produced goods and services.

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Since the model was initially developed in 1996, NAHB has used it successfully to estimate the impacts of construction in over 800 projects, local jurisdictions, metropolitan areas, non-metropolitan counties, and states across the country.

The estimated one-year impacts of building 100 single-family homes in a typical local area include

- \$28.7 million in local income
- \$3.6 million in revenue to local governments
- 394 local jobs

When we look at the risks of steep budget cuts by the State of Alaska, the potential loss of jobs and revenue to our local communities is alarming. Vetoes of this magnitude are severe enough to generate risks that we fear will be detrimental to our home building membership and Alaskans in general. Our organization takes the position that an override of the budget vetoes would still advance budget reductions made by the Legislature and allow for these reductions to continue in upcoming budgets.

Thank you for your public service to our state. We stand ready to assist all of our state's elected leaders in their efforts to find a solution to Alaska's fiscal situation.



Richard Carr, President  
Alaska State Home Building Association