



WENATCHEE VALLEY CHAMBER OF COMMERCE 2021 POLICY AND GUIDING PRINCIPLES

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COVID-19

COVID-19 has led to unprecedented economic disruption resulting in the loss of businesses and the livelihoods of thousands across the region. Given the persistent presence of viruses, we must learn to live with COVID-19 in a way that protects our medically vulnerable and our economic viability. All institutions, whether business, non-profit, government, education or the like will have to adapt in various ways to be successful. We must remain vigilant and explore what has and has not worked

to protect all facets of our community's welfare. Persistent economic downturns result in large increases in social and health needs including worsening living standards, a reduction in overall well-being, decreased educational achievement, increased rates of suicide and mental health issues, many of which stem from unemployment. These social and health needs are likely to lead to an increase in inequalities and social fragmentation.

Guiding Principles

- » The Chamber understands that commerce is crucial to the health and wellbeing of all people in the region and the ability to live with COVID-19.
- » The Chamber supports decision making authority evolving to the local level and be supported by relevant data, information, and resources to assist public health agencies.
- » The Chamber supports robust community engagement that facilitates the region's momentum, credibility, and commitment to resiliency.

WVCC Goals

- » Safely and sustainably re-open all businesses and return employees to work by ending inequitable criteria and using standards-based criteria for being open.
- » Facilitate robust community engagement with local, state and federal health authorities to share information leading to decisions in the best interest of Chelan and Douglas County residents.
- » Continue to take positions and conduct the operations of the WVCC in a fashion that further establishes the WVCC as a credible resource and trusted advocate at all levels of government.
- » Assist local, state, and federal government leaders in making informed decisions on future financial assistance.
- » Identify and secure tools for assessing regional economic impact and recovery. Use regional data to inform state budget and policy decisions to achieve stability and predictability.

STATE FISCAL

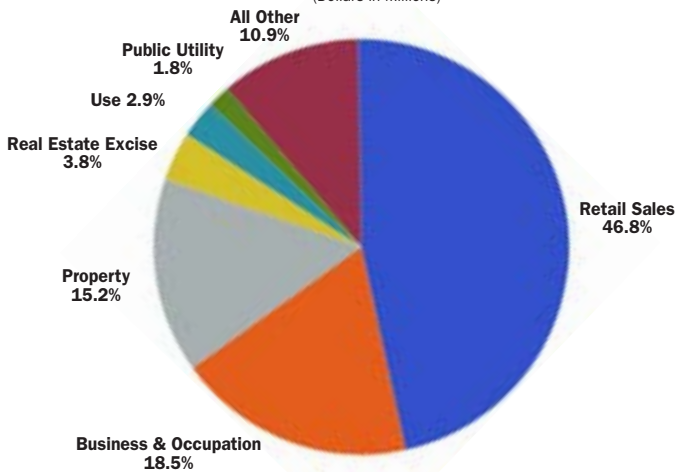


The Legislature concluded its deliberations on a supplemental \$52.5 billion spending plan in early March. The budget, which is in effect through June 2021, was predicated on the Feb-

ruary economic and revenue forecast that showed continued growth in economic activity and state revenues.

Sources of State Revenue

Washington State Revenue Forecast - March 2019
2019-2021 Near General Fund-State + Opportunity Pathways Account
REVENUES BY SOURCE
(Dollars in Millions)



Washington’s operating budget is funded through a variety of taxes, with more than 80% coming from the retail sales tax, business and occupation tax and property taxes.

Beginning in mid-March, national and state economies have been in free-fall due to the curtailments imposed to prevent the spread of COVID-19.

In response, Governor Inslee vetoed more than \$200 million in new spending in the supplemental spending plan and another \$200 million in planned spending in the next biennium. Washington had about \$3 billion in emergency reserves available at the time the budget was adopted.

Under Washington’s Constitution, the Legislature and Governor must adopt and implement a balanced budget over a biennium.

Use of State Revenue

More than 53% of state expenditures are for K-12 education. About 60% of the state’s budget is protected from reductions (K-12 education, debt retirement, Medicare and corrections). The protected level could be as high as 70% under OFM criteria that includes additional health care and social service costs.

The following link shows the state operating budget with a sense of scale for each element of state spending.

<http://leg.wa.gov/Senate/Committees/WM/Documents/Publications/BudgetGuides/2020/Budget%20Universe%20Web%202020.pdf>

Washington Economic and Revenue Forecast Council

The independent Washington Economic and Revenue Forecast Council is tasked with preparing quarterly forecasts of state revenue collections. These forecasts provide the legal basis for fiscal decisions by the Legislature and Governor.

On June 17th, the Council unveiled their first forecast since the COVID-19 disruptions. The forecast estimates:

- A \$4.5 billion revenue shortfall in the current biennium (through June 2021)
- An additional \$4.2 billion revenue shortfall in the 2021-2023 biennium

The Council's September forecast showed that state revenues rebounded as the economy slowly began re-opening. The current biennium shortfall is now projected at \$2.5 billion and the 2021-2023 shortfall is updated to \$1.9 billion (a total of \$4.4 billion over the next three years). The Council noted, however, that much of the rebound may be the result of the federal stimulus programs, hence may not be sustained. Additionally, it is also noted that Washington's tax collections continue to grow, but the rate of growth is slower than the 2019 projections.

The Governor has limited authority to balance the budget once it is signed into law. He can impose equal and across the board reductions to agencies and programs. However, he cannot eliminate programs, delay programs, or change salary adjustments without the approval of the Legislature.

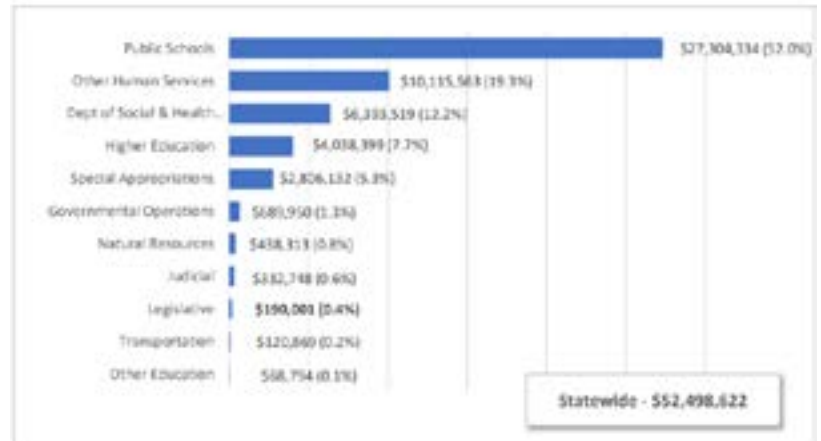
Finally, although Washington had about \$3 billion in emergency reserves in March, use of some emergency reserves requires a two-thirds vote of the Legislature.

The WVCC urges the Governor and Legislature to convene in special session quickly to make spending adjustments that can be implemented over as much time as possible. Waiting to address the budget shortfall only delays inevitable difficult decisions and makes them more painful. The impact of deferring decisions is demonstrated to the right:

2019-21 Operating Budget STATEWIDE & LEGISLATIVE AGENCIES

Near General Fund - Outlook

Dollars in Thousands with Percent of Total



Percent Spending Reductions Needed to Close FY 2021 Without a Shortfall

If Cuts Are Made To:	Effective Date of Cuts:			
	Jul. 1, 2020	Sept. 1, 2020	Dec. 1, 2020	Mar. 1, 2021
All Budget Areas	-2.9%	-3.5%	-5.0%	-8.8%
All Budget Areas Except Basic Education, Debt Service, Contributions to Retirement Systems	-6.2%	-7.4%	-10.6%	-18.6%
All Budget Areas Except Those Protected According to OFM	-9.4%	-11.3%	-16.1%	-28.2%

Note: This analysis assumes that spending is distributed evenly among the months.



Guiding Principles

- » The Chamber supports prioritizing investments that assist in economic and business recovery.
- » The Chamber supports balanced spending within existing resources and income streams.
- » The Chamber supports eliminating barriers on employers' ability to hire employees
- » The Chamber supports assisting local governments in recovering from COVID-19.
- » The Chamber supports avoiding the diversion of revenue streams from local taxes that invest in economic recovery to backfill other needs.

UNEMPLOYMENT INSURANCE

Washington’s unemployment insurance (UI) system provides benefits to those who become unemployed through no fault of their own.

The UI system is entirely funded by employers through their unemployment insurance taxes. Revenues from these taxes

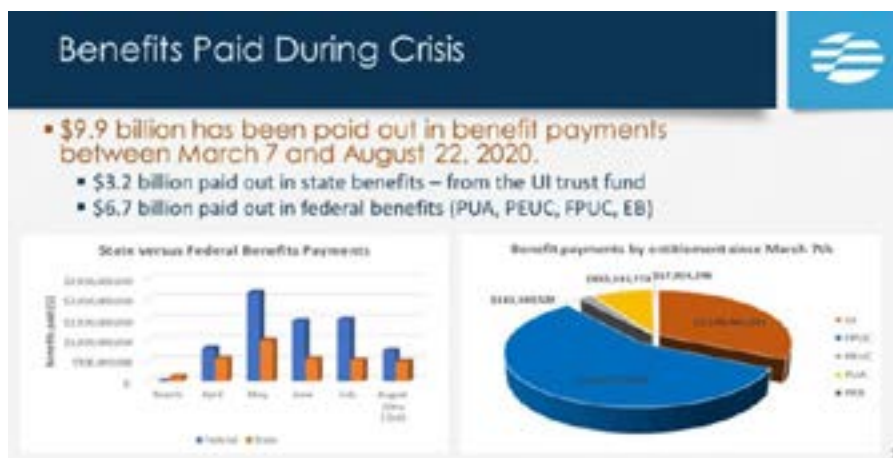
flow into the UI Trust Fund and the fund pays benefits for eligible recipients. It is administered by Washington’s Employment Security Department.

The tax rate for an individual employer has three components:

- Experience rating (often called “benefit charging”) –An individual employer’s UI tax rate is based on a rolling four-year average of benefits paid to their former employees.
- Social tax – All employers pay for the benefits that are not charged to a specific employer.
- Solvency Tax – If the fund is at risk of insolvency, a tax can be imposed to restore the fund.

After reforms to the UI system enacted between 2003-2006, the system has performed well. Washington is one of only three state’s that did not require a loan from the federal government to remain solvent during the Great Recession.

Today, the UI Trust fund is predicted to become insolvent in early 2021.



The reasons: (1) Pandemic related job losses are at unprecedented levels.

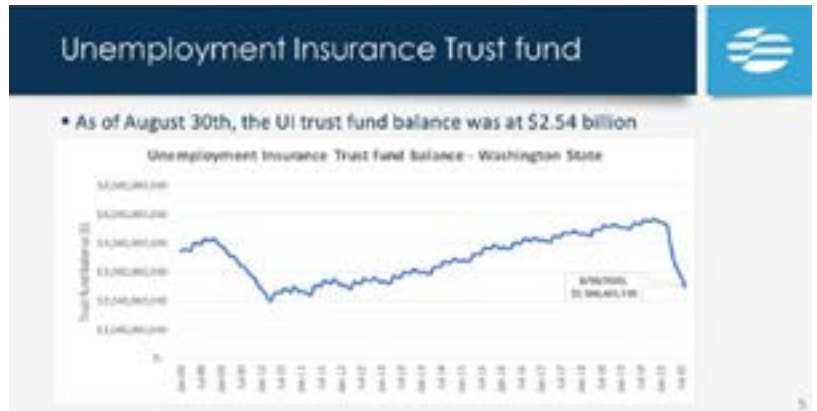
(2) Organized electronic attacks from overseas led to about \$600 million in fraudulent payments from the UI trust fund. (3) Although federal CARES Act funding covers the benefits added by Congress (e.g. \$600 per week increase in benefits), Washington has added new benefit programs for independent contractors and furloughed employees.

Projections show the UI trust fund will become insolvent in early 2021.



Under current law, the UI trust fund can be replenished through one, or some combination, of the following:

- Raising UI taxes on employers.
- Federal loan – (requiring repayment within two years).
- Injection of state or federal funds.



Guiding Principles

- » The Chamber supports policies that ensure employers and employees are not responsible for the unemployment created by mandates imposed to protect against the spread of COVID-19.
- » The Chamber supports Federal or state funding being used to replenish the UI trust fund.
- » The Chamber supports employers' UI experience ratings not being impacted due to COVID-19 related unemployment insurance claims. Those unemployment insurance claims are the result of employers abiding with the COVID-19 restrictions imposed by the executive branch of the Washington State government.
- » The Chamber supports employers' and employees not being required to replenish the UI Trust Fund for the fraudulent claims paid out of the UI Trust Fund.

EDUCATION

We need to ensure our children are prepared to compete for and secure the jobs of the future. High-growth jobs will be higher-skill and higher-paying. We need a strong local education system responsive to needs of current and emerging businesses, and a business community positioned to help

connect students to career opportunities. We need to work with education partners to cultivate future leaders in our region's top and emerging industries: agriculture, medical, tourism/hospitality, construction/trades, and technology.

Guiding Principles

- » The Chamber supports the region's students safely returning to school as quickly as possible.
- » The Chamber supports legislation and programs that provide career awareness, exploration, and experiences for students through mechanisms that involve business, schools and the community in partnerships.
- » The Chamber supports the availability of locally focused, post-secondary education, training for area residents and customized education services for area businesses.
- » The Chamber supports programs, processes, activities and promote a strong local education system which, together with business and community, prepares students for a productive role in the world.
- » The Chamber supports cost effective (or economically feasible) improvements and modernization of our school buildings, technology infrastructure, and grounds.

TOURISM

Prior to COVID-19 tourism generated over \$400 million dollars a year in economic impact to our Valley and provided over 5,000 jobs in our county. Since 2013, the Chamber has been charged with elevating our Valley's tourism brand and the overall visitor experience. During this time, the Chamber emphasized the creation of an inclusive approach to tourism industry development by focusing on brand redevelopment, regional partnerships, toolkit development, public relations, local education/outreach, and crisis communication. Success has come from the support of many partners including government agencies, tourism industry leaders, business leader, neighbor communities and private citizens. Until the COVID-19 outbreak in March 2020, the Chamber, with their knowledge, guidance, and investment had been able to increase hotel occupancy year over year, average daily rate year over year, and revenue per room

rate year over year; and, perhaps more importantly, elevate the perception of the industry's value to our local, regional, and state economy.

Regionally tourism is our 4th largest industry segment and while our economy is not tourism dependent, it is enhanced with the additional revenues collected. Local tourism drivers including Ohme Gardens, Town Toyota Center, the Convention Center and other attractions and events such as the Fourth of July Celebration, local fairs and concerts that have been cancelled have experienced financial losses that not only impact their own businesses but impact the local economy significantly. Jobs lost in hotels and restaurants alone amounted to over 1224 people and continues to climb.

Guiding Principles

- » The Chamber supports uniting tourism leaders and the community around strategies that address the changing climate of regional tourism.
- » The Chamber supports a wholistic lodging portfolio for travelers that effectively addresses the opportunities and challenges that come from emerging accommodation options (e.g. additional hotels, VRBOs, and AirBnBs).
- » The Chamber supports activities that elevate shoulder season activities, respond to traveler trends, and properly prepare for the evolving use of technology in travel.
- » The Chamber supports meaningful growth in the tourism industry that compliments the quality of life in our valley and earns our community the reputation of being a respected, sought after, and influential tourism partner.
- » The Chamber supports a values-based tourism approach that stewards the physical and natural assets of the region for generations to come.



TRANSPORTATION

The Wenatchee Valley sits at the confluence of the Columbia and Wenatchee River valleys. This creates a transportation choke point for traffic and freight running both North-South and East-West through North Central Washington. The Wenatchee Valley is the junction of major highway systems including US 2 (running east-west through the State), US 97 (running north-south through the State) and SR 28 (connects to I-90). The Wenatchee Valley is also host to a BNSF switchyard and crew change depot that connects BNSF's Columbia River Subdivision (Spokane-Wenatchee) with BNSF's Scenic Subdivision (Seattle-Wenatchee); and also connects BNSF's lines to Cascade & Columbia River Railroad (Wenatchee to Oroville). These road and rail transportation lanes run directly through the business core of Wenatchee/East Wenatchee; and thus, have significant impact upon people and businesses.

The Wenatchee Valley's unique topography and road/rail/bridge infrastructure is already causing mobility congestion which is expected to increase in the future absent new transportation infrastructure projects. These projects will be initiated and funded with public funds, primarily

by the State of Washington. The Chamber is interested in making sure that the projects chosen are optimal for the long-term economic health of the Valley and are funded equitably and appropriately.

As Washington businesses and residents transitioned to working from home, and new virtual meeting platforms emerged, daily commuting and car trips declined dramatically, impacting gas tax revenues used to fund transportation projects. During the May-June period, gas tax revenues declined by more than \$100 million per month. Some legislators had already initiated discussions about a new transportation revenue package largely due to the backlog of needs around the state. The impacts of COVID-19 will likely spark further discussion into ideas such as new gas taxes, adding carbon taxes, road usage charges, and fees on car and truck licensing. However, new transportation revenue packages have historically been adopted with strong bi-partisan support from around the state and are the outcome of carefully identifying project and maintenance priorities across every legislative district. Although COVID-19 may accelerate discussions, at this time it seems like a large scale bi-partisan transportation package is not imminent.

Guiding Principles

- » The Chamber supports transportation infrastructure projects in the Wenatchee Valley that improve movement of people and freight in a safe, efficient and equitable manner.
- » The Chamber will not lend its support to any project prior to fully vetting the project. The Chamber's vetting of a project does not obligate it to lend its support.
- » The Chamber will support transportation funding mechanisms that are broadly applied to all users and not specific user groups.
- » The Chamber supports transportation funding mechanisms being fully dedicated (100%) to transportation needs and include language that prevents transportation dollars being diverted to other uses.
- » The Chamber supports performance and accountability systems for transportation infrastructure plans to measure progress and results.

REGULATORY

Wenatchee area employers are increasingly burdened by new and often confusing regulatory requirements governing workforce, environment, health and safety. Often, Wenatchee area employer concerns are not considered as regulations are developed by state agencies. Additionally, Wenatchee area employers often are not aware of potential changes or additions to regulations. Since the outbreak of COVID-19, it has been challenging for employers to prepare and make critical decisions as the situation changes so rapidly. While the ever evolving nature of the virus is understandable and something business leaders have to live with, it is key for them to count on regulatory predictability especially in this time.

Guiding Principles

- » The Chamber supports activities that strengthen the information “pipeline” to Olympia from rural areas.
- » The Chamber supports building and maintaining strong relationships with regulatory agencies (local, state and federal); Listen first, consider options, then advocate.
- » The Chamber supports standardized regulations that are clear, concise, and consistent that allow all businesses to operate.

Poorly designed regulations that are not communicated well affect employers across the region negatively by straining the relationship between employers and employees; Local and Regional Impacts:

- Relationship between employers and employees;
- Time “away” from core functions to address confusing or conflicting regulatory demands;
- Increased conflict and litigation and cost of doing business.

HOUSING

The need for workforce housing in our region is growing. Regional employers are unable to fill job positions due to the lack of available housing in the community. Additionally, median home prices are outpacing wages making rent and homeownership out of reach for many residents. Our region must increase its housing supply and offerings to keep pace with workforce needs. Additionally, our region stands to be impacted greatly due to the COVID-19 moratorium on evictions. COVID-19 has also impacted the region's housing issues as people are moving out of the urban areas because they no longer want to be in close proximity to others, they learned they can work from home and are relocating to outlying areas or they retired early due to COVID-19 job loss. This influx of relocating individuals means more people vying for middle income housing prices that are often the only affordable options for young families or people in the workforce in the region.

Guiding Principles

- » The Chamber supports the development of middle-market housing as it provides the most significant housing opportunity for the area's population.
- » The Chamber supports innovative housing types that promote density of development in areas where zoning will support this activity.
- » The Chamber supports development of uniform regulations across the region for land-use planning and development for the purpose of facilitating cohesive development.
- » The Chamber supports a moratorium on any additional building regulations that would increase the cost of housing.

Key Findings from Our Valley Our Future Housing Solutions Survey illustrates the risk to employers and the housing struggles facing their employees:

- **Employee Base Relocation Risk:** The survey found 45 percent of the respondents (1,700) saying they had considered relocating within the past year due to high cost of housing combined with severely limited supply.
- **Affordability of Housing:** 46 percent indicated they are spending more than 30 percent of household income on housing (30 percent is deemed "affordable") and 23 percent are spending more than 40 percent of household income on housing.
- **Rental Affordability:** Among renters, 46 percent reported paying more than they could afford.

OUTDOOR RECREATION

Outdoor activities contribute over \$480 million dollars annually to our regional economy. Over eighty percent of Chelan County is publicly owned. The various government agencies with oversight of these lands have different responsibilities, engagement levels and incentives to improve access and management of these natural resources. Federal and state decision making processes, combined with fiscal challenges, are major impediments to action on U.S. Forest Service (USFS) lands. While streamlining of the National Environmental Policy Act (NEPA) is underway for restoration projects, actual change requires strong vocal support within the region.

Outdoor recreation in the Wenatchee Valley continues to attract increas-

ing numbers of full-time residents and tourists, especially given COVID-19 has driven people outdoors. Popular activities include hiking, skiing, bicycling, hunting, fishing, and off-highway vehicle use. These pursuits contribute millions to the health of the regional economy. A 2017 study of the outdoor economy in Chelan-Douglas Counties recognized the need for additional investment in the following to achieve Wenatchee Valley's economic potential: Coordination (e.g. planning and prioritizing recreation projects), infrastructure (e.g. trails and docks), information sources (e.g. signage and mapping), and amenities (lodging, facilities, pedestrian-friendly areas, goods, and services that complete the recreation 'experience'). Going forward as we learn to live with COVID-19 we need to ensure for safe use of our outdoor recreation including signage and other education to stay 6 feet a part and when to wear a mask.

Guiding Principles

- » The Chamber supports partnering with the USFS on community development efforts that will increase access to recreation activities for both motorized and non-motorized user groups.
- » The Chamber supports development of infrastructure that will allow locals and area tourists to access public lands and prevents over-tourism that is detrimental to our natural assets.
- » The Chamber supports public and private initiatives designed to increase the attractiveness of the Wenatchee Valley outdoor experience and strengthen local business and employment that serves the outdoor recreation industry.
- » The Chamber supports collaboration among private and public landowners, land managers, and recreational user groups to create a coordinated master plan for recreation that improves access and sustainability of recreational lands.
- » The Chamber supports the development of coordinated educational program for safe recreation in our region.
- » The Chamber supports the development of outdoor recreational events that highlight the regions natural assets and provide value to the greater community.

FOREST HEALTH



The impact of wildfires increasingly impacts citizens, outdoor activities and human health. This trend is expected to continue unless action is taken. Over eighty percent of Chelan County is publicly owned, and forests on these lands are unhealthy and susceptible to wildfire. The various government agencies with oversight of these lands have different responsibilities, engagement levels and incentives to find solutions. The level

of current activity by these agencies is insufficient to reverse this trend of wildfire devastation. Federal and state decision making processes, combined with fiscal challenges, are major impediments to action on U.S. Forest Service (USFS) lands. While streamlining of the National Environmental Policy Act (NEPA) is underway for restoration projects, actual change requires regional vocal strong support.

Guiding Principles

- » The Chamber supports exploring changes to Air Quality regulations at the state level to allow for more prescribed burns for the purpose of improving forest health and decrease the fuel for mega wildfires.
- » The Chamber supports partnering with the USFS on community development efforts that will increase the health of our area forests, provide job opportunities, and support stewardship of public lands while allowing for both motorized and non-motorized recreation opportunities.
- » The Chamber supports development of infrastructure that will allow the forest industry to re-establish in North Central Washington.
- » The Chamber supports joint planning and coordination among public and private landowners and managers in Chelan and Douglas Counties.

WORKFORCE DEVELOPMENT

A thriving business community requires a robust and well-equipped workforce. Prior to COVID-19 there were employment opportunities going unfilled in the Wenatchee Valley because job seekers lack the skills and qualifications necessary for employment. Currently, the Valley is facing unprecedented unemployment numbers and some jobs will not come back. We need a way to retool our community to take jobs in industry sectors that are evolving. Large and small employers struggle to find qualified workers that possess the needed work ethic

and soft skills. The need to provide learning opportunities which instills this work ethic and soft skills is growing and is essential for students, young adults and adult workers. The soft skills needed include communication and interpersonal skills, emotional intelligence, leadership, teamwork, conflict resolution, time and stress management, business etiquette, customer service, and negotiation skills. The development of these skills is critical to having a strong, vibrant workforce.

Guiding Principles

- » The Chamber supports legislation and programs that provide career awareness, exploration, and experiences for students through partnerships with business, schools and community. As such, the Chamber will take an active role in championing discussion regarding resources and legislation supportive of workforce development.
- » The Chamber supports programs, processes, activities and facilities that promote a strong local workforce, which together with business and community, prepares young adults and adult workers for a productive role in the world.
- » The Chamber supports career training for a constantly evolving workforce, with needs driven by the business community. Responsiveness includes strong support for community involvement and resources for technical training.
- » The Chamber supports creative solutions to upskilling workers, to include mentorship, professional development, apprenticeships and internships.