

Thursday, March 12, 2020

10:00 a.m.

Conference Room 329

State Capitol

415 South Beretania Street

House of Representatives

The Thirtieth Legislature

Regular Session of 2020

House Select Committee on COVID-19 Economic and Financial Preparedness

The House of Representatives established the House Select Committee on COVID-19 Economic and Financial Preparedness (Committee) pursuant to House Resolution No. 54 (Regular Session of 2020). The membership of the Committee includes selected members of the House of Representatives, state government officials, and business leaders from private industry and non-profit organizations located on each of the primary counties.

The Committee is tasked with:

- (1) Identifying the potential economic and financial impact to the State;
- (2) Developing short-term and long-term mitigation plans; and
- (3) Monitoring COVID-19 conditions and outcomes.

At its initial meeting, the Committee discussed information and data concerning economic impact projections, including public and

private employment, and received updates on health and safety preparedness against the COVID-19 pandemic.

Specifically, the Committee discussed short- and long-term proposals on the following topics to address or dampen economic impacts of the COVID-19 pandemic.

#### ECONOMIC IMPACT

The University of Hawaii Economic Research Organization (UHERO) stated that the report it released on March 10, 2020, is already overly optimistic and that the low scenario in that report is increasingly likely. UHERO predicts job losses of 1.5%, with recession likely for Hawaii and the U.S., and a decline in tax revenue growth beginning next fiscal year. UHERO forecasts a 30-40% decline in hotel occupancy for the short term, which will affect the labor market and unemployment claims. UHERO will be updating its forecast.

The Chief State Economist (CSE) stated that according to forecasts, the U.S. economy is set to improve by 2% next year, however tourism only accounts for 2.6% of the mainland U.S. economy compared to 17% in the State. The CSE further stated that impacts may be greater to our State, but we may not go into a recession and may improve next year.

## HEALTH AND SAFETY PREPAREDNESS

The Department of Health (DOH) confirmed that it has seen no evidence of community spread. DOH is focused on prevention and making recommendations to businesses, such as suspending non-essential travel, maximizing opportunities for employees to telework or work remotely, providing flexibility in leave benefits, and minimizing workplace exposure. DOH will also be providing recommendations to schools to assist them with formulating policies to combat the COVID-19 pandemic. DOH noted the need to flatten the epidemic curve to reduce stress on an already strained health care system. DOH has preparedness steps in place and is inventorying basic supplies, and it is trying to better understand the economic impacts of its recommendations.

## INDUSTRY IMPACT UPDATES AND FORECASTS

The tourism industry is being impacted in all markets, and the situation will likely be particularly bad in the Fall. The airlines industry reports significant passenger deterioration, with airlines likely to further reduce schedules. Data shows reduced demand for travel from Asia and the continental U.S. Shipping, at least from Matson, is operating uninterrupted and as scheduled to all ports on all islands, and the industry discouraged hoarding.

The food and retail industries do not anticipate supply chain issues to food supplies other than eggs and discourage hoarding food supplies, but they have seen shortages in stock of personal care and

sanitation products, which are now being allotted per store. They also have seen a downturn in traffic to and purchases from local retailers, which may result in closure of some small businesses and a reduction in hours or salaries of employees.

The construction industry was already worried about a slowdown, with two year-to-year decreases in work hours since 2017, and is deeply concerned about impacts on tourism-related projects. The industry advocated for an increase in public works and affordable housing projects.

#### LABOR IMPACTS

The Department of Labor and Industrial Relations (DLIR) reported that since March 1, 2020, unemployment claims have increased by 19.2%. DLIR is concerned about its capacity to process unemployment claims and needs 28 additional full-time equivalent positions to administer benefits to claimants, requiring about \$4.2 million. DLIR has done modeling based on the post-9/11 economic situation.

#### PROPOSALS AND IDEAS

The members of the Committee are tasked with being resourceful, functional, and helpful to the people of Hawaii. In response, the Committee raised a range of proposals and questions, including but not limited to:

- Investing in and expediting shovel-ready capital improvement projects to develop infrastructure and affordable housing;

- Helping employees by extending unemployment benefits, examining leave policies, and keeping tipped employees in mind;
- Having the same people discouraging travel now encouraging travel when it is safe to do so;
- Ensure supports for the most vulnerable populations;
- A state version of the American Recovery and Reinvestment Act of 2009 or shift to health care jobs, which is a countercyclical industry;
- Promoting business interruption insurance;
- Finding solutions for child care if schools are suspended;
- Offering no-interest loans or moratoriums on evictions for businesses;
- Ensuring that local jobs go to local people;
- Incorporating COVID-19 testing into drug testing;
- Promoting travel and tourism industry staycations;
- Considering positioning for resumption of travel demand;
- Considering the use of pension bonds or exempting unemployment benefits from taxes; and
- Examining COVID-19-related workers' compensation and medical coverage issues.

The Committee adjourned at 11:45 a.m. and will reconvene on Monday, March 23, 2020, at 10:00 a.m. in Conference Room 329, at the Hawaii State Capitol.