

Monday, March 30, 2020

10:00 A.M.

Via Videoconference

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.

The Committee's second meeting was originally scheduled for Monday, March 23, 2020, however, that meeting was cancelled due to the

**SELECT COMMITTEE HMS 2020-1924**

temporary shutdown of the Capitol building as a result of safety concerns surrounding the COVID-19 pandemic. Thus, the second meeting of the Committee was rescheduled for Monday, March 30, 2020, and took place entirely through remote videoconferencing. At its second meeting, the Committee discussed information and data concerning economic impact projections, including public and private employment, and public and private resource management in the face of the COVID-19 pandemic.

Specifically, the Committee discussed the current projections of the economic impact of the COVID-19 pandemic and ongoing efforts to address and dampen this economic impact.

#### PROJECTED ECONOMIC IMPACT

The University of Hawaii Economic Research Organization (UHERO) provided an update on its economic impact forecast. In the Committee's first meeting, UHERO stated that the low scenario provided in the UHERO report released on March 10, 2020, was the most likely scenario. However, as circumstances have continued to change since that forecast and the first meeting, UHERO stated in the second meeting that the low scenario is now an overly optimistic high scenario.

In its latest forecast, released on March 30, 2020, UHERO projects the following:

- (1) The second quarter of the calendar year will see the greatest impact in the following areas:
  - (a) Job losses: +20 percent in comparison to the second calendar quarter of 2019; and
  - (b) Unemployment rate: peak at 25 percent;
- (2) For the full calendar year in comparison to the calendar year of 2019:
  - (a) Job losses: +11 percent;
  - (b) Real income: -3 percent;
  - (c) Gross Domestic Product: -8 percent; and
  - (d) Visitor arrivals: -41 percent; and
- (3) General funds revenues: -10 to -25 percent.

UHERO noted that this latest forecast does not account for all provisions of the federal Coronavirus Aid, Relief, and Economic Security Act or CARES Act (P.L. 116-136), which will be accounted for in future forecasts. UHERO also noted that this latest forecast is subject to change as events unfold further.

#### FEDERAL GOVERNMENT SUPPORT FOR THE STATE

United States Senator Brian Schatz and United States Representative Ed Case outlined the federal aid expected to be infused into the State in various forms as follows:

- (1) \$1.25 billion to be apportioned between the State and City and County of Honolulu;
- (2) \$1.142 billion for unemployment insurance claims;
- (3) \$1.24 billion in direct payments to individuals; and

(4) Various amounts for funding community health centers, child care development block grants, and other various grants.

In addition to these amounts, there are other existing opportunities for federal aid to be infused into the State, such as the small business program that provides loans to ensure workers remain on the payroll and loans are forgiven with proper compliance, a fund for hospitals, and funds for big corporations contingent on keeping workers employed.

Lastly, they anticipate further federal assistance, specifically a fourth bill that is expected to be largely focused on infrastructure and stimulus, rather than on relief.

#### EXISTING BUSINESS TRENDS

The shipping industry continues to operate uninterrupted with volumes remaining steady. The businesses that have reduced their shipping demand are considered nonessential, and their reduced demand does not impact the flow of essential goods. To discourage misinformation, the Hawaii Harbors Users Group distributes a daily update that lists the status of all the ports in the State and on the west coast of the continental United States and lists vessels at berth or en route. These daily updates are available on the Committee's webpage on the Capitol website.

The retail industry still observes consumer hoarding despite there being no issues with the supply chain. In reaction to this

observation, some retailers have instituted quantity purchase limits and return policies to deter hoarding and predatory seller behaviors. However, conforming policies for some out-of-state big box retailers are developing slowly in this area.

#### UNEMPLOYMENT

The Department of Labor and Industrial Relations (DLIR) has seen an increase in unemployment claims and filings from 17,850 in February to 116,916 for the period of March 1 to March 28. To adjust to this increased load, DLIR has internally redistributed its staff to increase its unemployment insurance staff from seven persons to forty-five persons and will establish a new call center, password and technical support area, and a claims examination center re-tasked from the current call center.

DLIR projects that the existing funds in the Unemployment Compensation Trust Fund will be exhausted by late April 2020 to late May 2020, depending on the receipt of federal assistance to help pay for the extended or enhanced unemployment benefits under the CARES Act.

With respect to the CARES Act, there are three major changes occurring with unemployment administration. First, independent contractors are now included. Second, persons qualify for thirteen additional weeks of benefits for a total of thirty-nine weeks. And finally, unemployment benefits include an additional \$600 per week.

To institute the provisions of the CARES Act, DLIR met the March 28, 2020, deadline to enter into and finalize an agreement with the United States Department of Labor.

#### CAPITAL IMPROVEMENT PROJECTS

The Committee was provided with a list of capital improvement projects that are "shovel-ready" and are either:

- (1) Already funded;
- (2) Requested in the supplemental budget; or
- (3) Not funded and not requested.

Further work will continue to identify projects that may be moved on quickly, break down these projects by island and priority, and perhaps make more information on shifting of the timing and money for projects available to recovery forecasters.

#### COMMUNITY EFFORTS TO REINFORCE THE SOCIAL SAFETY NET

The Hawaii Foodbank has observed a growth in needs. Currently, the Hawaii Foodbank is trending toward distributing 1.5 million pounds of food per month in comparison to the normal distribution of approximately 1 million pounds of food per month. However, donations to the Hawaii Foodbank have slowed, requiring the Hawaii Foodbank to purchase more food than it would normally have to purchase. For March 2020, it has made \$600,000 in food purchases. The Hawaii Foodbank is working with counties, unions, and other organizations to ensure adequate supply and reach out to persons in need. The Hawaii Foodbank

also continues to work with the Department of Education to service several food pantries.

For organizations that service the homeless population, protocols are being redesigned to allow for the safe delivery of services between service providers and homeless persons. Current guidance from the Centers for Disease Control and Prevention is to allow homeless persons to remain in place and to not disperse these persons. To encourage adherence to this guidance, homeless persons must have adequate access to food and restroom facilities. Organizations are working with the counties and police departments to ensure that park restroom facilities remain accessible, even if parks are not open to the public, to discourage the dispersal of homeless persons.

The Hawaii Resilience Fund raised approximately \$4.5 million dollars with \$1.2 million committed to COVID-19 testing and quarantining, \$0.5 million to the Hawaii Foodbank, and \$0.75 million for emergency services for rent, food, and medical service. Further, the Hawaii Resilience Fund has approved grants to provide child care services to first responders. Lastly, the Hawaii Resilience Fund is coordinating a program to accept homemade personal protective equipment (PPE), certify the PPE, and distribute the PPE to those in need.

The Committee adjourned at 11:45 a.m. and will reconvene on Monday, April 6, 2020, at 10:00 a.m. via videoconference.