

Monday, April 27, 2020

10:00 a.m.

Via Videoconference

State Capitol

415 South Beretania Street

House of Representatives

Thirtieth Legislature

Regular Session of 2020

House Select Committee on COVID-19 Economic and Financial Preparedness

**Report of the Select Committee's Sixth Meeting,**

**Held on Monday, April 27, 2020**

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 in 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 the sixth meeting, the Committee discussed the current status of federal aid being infused into the State and updates on the implementation of the public health plan to prepare the State to reopen.

I. STATUS OF FEDERAL AID

Congressman Ed Case presented an update on the latest information regarding federal relief.

Congress passed the fourth in a series of coronavirus relief bills on April 23, 2020. The legislation, the latest supplement to the federal Coronavirus Aid, Relief, and Economic Security (CARES) Act, has three targets: supplementing the Small Business Administration's Paycheck Protection Program (PPP) and Economic Injury Disaster Loan Program (EIDL) with an additional \$300 billion; providing \$75 billion to hospitals and health care providers; and providing \$25 billion for use by states, counties, and medical providers to accelerate testing, contact testing, and surveillance for COVID-19.

Congressman Case was able to provide some rough numbers for Hawaii. To date, Hawaii has received approximately \$4.5 billion in federal COVID-19 relief. The State and City and County of Honolulu have received \$1.25 billion, including \$862 million to the State and \$387 million to the City and County, for relatively discretionary use related to COVID-19 relief.

The PPP efforts have been very well administered in the State. Hawaii is one of the top states in the country for reception of PPP

loans, both per capita and per business, coming in at around \$2 billion for small businesses. This amount has not been fully disbursed but is expected to be within the next week or so. The State received around \$680 million in direct economic stimulus payments about ten days ago and is closer to \$700 to \$800 million now. There are fifty programs also being tracked, including community health centers, hospitals, and educational programs.

Congressman Case also gave an update on the amounts funded or to be funded in the State, totaling approximately \$7 billion to date. On the federal side, unemployment benefits are beginning to roll out; however, this is difficult to price because the number of people applying for the benefit is unknown. About \$1.1 billion may be for Hawaii, which may be too low, but the amount is based on unemployment numbers and is not a fixed amount. There is a balance between \$500 to \$600 million in individual direct payments that could not be deposited electronically and are thus being mailed by paper check. A second round of PPP and EIDL loans through the Small Business Administration has begun, but it will be tougher for Hawaii as the demand is higher throughout the country now. Miscellaneous amounts include around \$2 to \$2.5 billion left to be funded.

There is still tremendous need in the areas of small businesses and unemployment. Although the federal act did include monies to pay for technology upgrades, because time is of the essence, there is some doubt whether these upgrades can be implemented within the timeframe where it is most needed.

The CARES Act 2.0 bill, the fifth COVID-19 relief measure, is currently being worked on and will hopefully be brought to Congress within the next few weeks. The focus in this bill will be on supplementing and improving the small business programs; increasing amounts paid to state and county governments and introducing flexibility, which could potentially be applied to a social safety net; and boosting money to the medical community for administration and support, especially for small health care providers across the state and in remote areas, and for personal protective equipment.

The Committee discussed initiatives for target areas that heavily rely on tourism. For the tourism industry, there has been aid for, or which can be applied to, the industry through three areas: small business assistance programs; the Main Street Lending Program, which had \$400-\$500 billion from the CARES Act for non-small businesses and has yet to be rolled out; and assistance for the airline industry, with \$25 billion to payroll protection and \$25 billion to operations from the CARES Act. Other than that, no direct money has been allocated specifically for travel and tourism.

Although the current focus is on COVID-19, work continues on the standard federal appropriations process for the next federal fiscal year, which begins October 1. The CARES Act 2.0 bill being worked on will include a supplemental funding appropriations cycle in the current fiscal year, and Congressman Case has put in a request that is construction related. Since COVID-19 assistance has been more immediate, infrastructure funding has been deferred. Hopefully once

the CARES Act 2.0 bill passes there will be a focus back on infrastructure.

## II. ACCESS TO FEMA FUNDS

The Department of Taxation provided an update on nonprofit access to FEMA funds and food grants, including for the Hawaii Community Foundation's Food Program.

Links to resources were provided, including the Hawaii Emergency Management Agency's (HiEMA) website with information for nonprofits on training materials, the Federal Emergency Management Agency (FEMA) website, and the HiEMA media release regarding the public assistance program. There appears to be funding available through the food grant program of FEMA, which the Hawaii Community Foundation should be able to access.

A request was made to push for a broader definition of "qualified expenditure" and a broader qualifying match to open more resources for Hawaii. The Department of Taxation will be submitting a request from the Governor to waive the match and access additional FEMA funds and will include the request to broaden the definition of qualified expenditure. Congressman Case stated that considerations on the federal level are being made to take out this twenty-five percent requirement on an emergency basis, which would eliminate the need to go through variations at the state level.

### III. STATUS OF THE USDA FOOD ASSISTANCE PROGRAM

Representative Richard Onishi provided information on the United States Department of Agriculture (USDA) Coronavirus Food Assistance Program (CFAP), a recently announced program that contains \$19 billion in immediate relief to provide critical support to farmers and ranchers nationwide.

Many organizations need help in the application process for CFAP, as the deadline for submittal is May 1, 2020. CFAP provides direct support to farmers and ranchers, with \$16 billion for actual losses, loss demand, and short-term oversupply. CFAP provides another \$3 billion for purchase and distribution through the USDA. The intent is to spend throughout the nation \$100 million per month to purchase fresh fruits and vegetables, \$100 million per month for dairy products, and \$100 million for meat products. There is also Section 32 funding, which provides \$873.3 million for the purchase and distribution for food bank needs by industry request, and the Family First Coronavirus Response Act and Coronavirus Aid, Relief, and Economic Security Act, which has \$850 million, \$600 million of which is for food purchases by food banks. Emergency allotments for Supplemental Nutrition Assistance Program, or SNAP, benefits have been increased by forty percent. On April 17, 2020, Hawaii was approved for additional funds. Farmers and ranchers are now able to participate in the PPP and EIDL; they were excluded from participating under the original CARES Act.

A guide from Senator Mazie Hirono's office has been released, with resources for Hawaii's agriculture industry. The Committee

discussed the inclusion of seafood products as part of the CFAP. Seafood products may not be included under the definition of "meat" in the CFAP, which is an issue for the State, as Hawaii residents consume seafood at twice the national average. Representative Onishi and Congressman Case stated they would follow up on this.

#### IV. INFORMATION FROM PAMELA TUMPAP OF THE MAUI CHAMBER OF COMMERCE

Pamela Tumpap of the Maui Chamber of Commerce distributed the National Governor's Association's *Roadmap to Recovery: A Public Health Guide for Governors*, a planning tool designed to help each state, businesses, and individuals move forward with recovery planning. The report focuses on two categories -- building the public health infrastructure and creating and implementing a plan to reopen the economy -- and includes six different plans from various organizations and a side-by-side comparison of the plans and the White House recovery plan.

Different areas of the country are looking at recovery pacts, where states come together on policies for reopening their economies. California, Oregon, and Washington have created a Western States Recovery Pact, with an agreement to work together on a shared approach for reopening their economies. Different state health officials and governors are setting reopening parameters and developing plans to address interstate travel and tourism. A suggestion was made for Hawaii to work with or be included in the Western States Recovery Pact. Speaker Saiki did not see any harm in joining in this pact.

Alan Oshima, Hawaii's Economic and Community Recovery Resiliency Navigator, will bring this suggestion up with the Governor.

V. UHERO BUSINESS SURVEY REPORT

The University of Hawaii Economic Research Organization (UHERO) released a joint survey with the Chamber of Commerce Hawaii on the impact of COVID-19 on businesses and their employees. Over 600 businesses provided responses. The data provides insight into the impact of COVID-19 by industry and geography and is being used for upcoming forecasts. The losses are quite large, with businesses reporting a cumulative reduction in the workforce by about 220,000 full-time and part-time workers since January. The hardest hit industries were accommodations, down eighty-three percent; arts and recreation, down seventy-seven percent; retail businesses, down seventy-six percent; and food services and other services, down fifty percent. About a third of businesses reported \$0 in revenues. Many businesses reported that they expect to reopen and re-staff up as soon as it is safe to do so, with sixty percent reporting that they can return to almost full staff immediately, with the remainder of the staff phased in as tourism begins to return.

The most vulnerable workers, including part-time workers and low-income individuals, were the most likely to have lost jobs. ALICE (Asset Limited, Income Restrained, Employed) households are impacted most directly, which has long-ranging consequences for the need for supportive and social services and state support. This data along with hard numbers of unemployment claims are used to estimate how big

the job losses were in April and the effects of PPP loans. A combination of PPP loans and opening the local economy when it is safe to do so could see a return in jobs of about forty to fifty percent of the jobs that were lost. By the end of the year, potentially eighty percent of the jobs that were lost could return.

The Committee discussed childcare issues for families as the parents consider returning to work. House Majority Leader Belatti mentioned that the counties should be encouraged to look at their summer fun programs and have interim childcare quickly provided if the State wants to reopen at the end of May.

The Committee discussed the benefits provided by PPP and how it interplays with unemployment benefits. PPP was intended to retain employees and may reduce the need for unemployment insurance. For lower income jobs, there can be an unintended incentive for individuals to remain on unemployment insurance since the benefits can exceed what a low-income worker would make typically earn while working. However, without federal assistance, the unemployment insurance fund may be depleted sometime in May. This interaction between unemployment insurance and PPP warrants further discussion.

If businesses are to reopen in May or June, businesses need to be able to prepare. However, there are still issues with supply shortages for businesses, including personal protective equipment and other cleaning supplies. Furthermore, some reopening plans may be applicable to some businesses but not others.

VI. HAWAII COVID-19 PUBLIC HEALTH RECOVERY TASK FORCE

Dr. Mark Mugiishi of HMSA has been working closely with Major General Kenneth Hara and Alan Oshima and presented an update on plans to prepare the State to reopen. The plans include a unified strategy to serve as a framework for consistent measurement and communication of health risk and response that uses science, primarily modeling and the epidemiological curve, to establish event-based criteria. The unified strategy is dependent on four pillars:

- (1) Screening;
- (2) Testing;
- (3) Contact tracing and surveillance; and
- (4) Quarantine.

The unified strategy is divided into levels of alert:

- Level 4: Lockdown/Major Disruption;
- Level 3: Restrict/Moderate Disruption;
- Level 2: Reduce/Minor Disruption;
- Level 1: Prepare/Minimal Disruption; and
- Level 0: New Normal/No Disruption.

The unified strategy also relies on three public health determinants: the contagiousness of the disease and the rate of transmission; ecosystem demand and the rate of new cases per day and active cases per total beds; and health care supply and health system capacity, such as total hospital beds, total ICU beds, and ventilator capacity, and the capacity for testing, contact tracing, and monitoring.

The levels of alert under the unified strategy will provide a framework for different industries to open at certain times and at certain capacities based on the alert levels. Meetings are planned this week with multiple industry sectors and committees will finalize plans on the unified strategy and specific work plans for screening, testing, tracing, and quarantine.

Hospitals are beginning to reopen slowly with elective surgeries; in the next two weeks hospitals will be looking at opening at one-third capacity. However, if active cases start to pick up, this may force potential shutdowns and scale-back.

#### VII. NEXT MEETING

The Committee adjourned at 11:35 a.m. The next Committee meeting will convene on Monday, May 4, 2020, at 10:00 a.m. via videoconference. The meeting will have an update on unemployment insurance, the taxation of PPP benefits, and a discussion on the interaction between unemployment insurance and PPP. The Retail Merchants of Hawaii and Hawaii Restaurant Association are requested to share protocols for best practices on reopening. James Koshiba is also requested to give an update on housing needs going forward.