

Monday, May 4, 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 Seventh Meeting,

Held on Monday, May 4, 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 seventh meeting, the Committee discussed updates on unemployment insurance, taxation of Paycheck Protection Program (PPP) benefits, best practices for reopening of restaurants and retailers, the Public Health Recovery Task Force reopening plan, and state housing and homelessness needs.

I. UNEMPLOYMENT BENEFITS UPDATE

The Department of Labor and Industrial Relations (DLIR) did a soft launch of the Pandemic Unemployment Assistance (PUA) program on April 29. To address situations where employees are not incentivized to return to work because of unemployment benefits and the additional \$600 federal plus-up benefit, which hampers businesses' abilities to use PPP funds, DLIR is establishing a database to let businesses authenticate offers of employment and help identify employees who refuse to go back to work. If an employee refuses to return to work, the employee's unemployment benefits are terminated, although the employee may file an appeal through the appeals office. This will allow DLIR to differentiate between employees who are not at fault for refusing employment and employees who refuse employment to continue receiving unemployment benefits. DLIR notes that these cases will be handled on a case-by-case basis and take a long time to adjudicate; however, this process will enable the State to identify which employers have offered to take employees back.

Where an employee returns to work for the eight weeks provided by PPP and is laid off again, DLIR indicated it would reactivate the claim and the employee would be paid for the time from separation of

duty. The claim would be treated as an initial claim, so there would be no waiting period. To address bottlenecks from a second wave of unemployment claims after the PPP expires, DLIR has rolled out a new SQL database and API tool, which are more stable and have more capacity than the previous tools.

II. ECONOMIC OUTLOOK

The University of Hawaii Economic Research Organization (UHERO) released three blogs last week on the following topics: a survey conducted with the Chamber of Commerce Hawaii; rebuilding and reimagining tourism using technology; and the current and coming rental market crisis.

UHERO also released a new blog on May 4 addressing potential scenarios for the State's recovery. The base assumption for recovery is a gradual reopening of the local economy through May, regaining 35 to 45 percent of what was lost in April and building to a 75 percent recovery by the end of the year. It is anticipated that the tourism economy can be opened at the end of July, with third quarter arrivals reaching 28 percent of peak arrivals, ramping up to 50 percent by December. However, this all assumes continued progress in screening, testing, and tracking visitors and an improvement in the State's current efforts in those areas.

UHERO provided a slideshow with a summary of job losses and recovery, including predictions based on a gradual reopening of the economy. UHERO envisions recovery but anticipates there will still be double digit unemployment by the end of the fourth quarter.

Reopening Hawaii's economy requires buy in from the public. Transparent and open communication and messaging are key to public buy in, as are publicly available metrics such as the size of the Department of Health's (DOH) investigation team, how long it takes to do contact tracing, and the State's capacity to isolate and quarantine.

The Committee discussed the results of the survey from Chamber of Commerce Hawaii, which is publicly available. UHERO already incorporated updated agricultural data in the results and will be providing county-level survey data. While the initial survey did not break out the fishing industry separately from manufacturing or agriculture, UHERO is open to incorporating fishing industry data.

III. TAXABILITY OF FEDERAL ASSISTANCE

The Department of Taxation (DOTAX) recently published a Tax Information Release on the taxability of PPP and other Coronavirus Aid, Relief, and Economic Security Act (CARES Act) assistance. Unemployment compensation is subject to federal income tax, but the CARES Act excludes PPP loan forgiveness from gross income subject to federal income tax. DOTAX is able to administratively exempt PPP loan forgiveness from the state general excise tax but will be requesting the Legislature to enact legislation to exempt PPP loan forgiveness from state income tax.

IV. 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 they anticipate a plan for reopening to be finalized this week. They will work with strategic communications consultants to ensure the plan is properly communicated to the public.

Dr. Mugiishi presented a slideshow discussing the Unified Plan. Risk levels do not necessarily need to be applied statewide; counties can be at different risk levels. The State is currently at risk level "orange", which allows for a targeted reopening with some restrictions. Five committees are working on the issues of unified strategy; screening; testing; contact tracing and surveillance; and quarantine. Dr. Mugiishi discussed progress in the five areas and the preliminary findings:

- Unified Strategy will create a unified plan for how the risk levels tie in with the restrictions and how reopening one sector may impact another sector.
- There is agreement on the need for screening checkpoints; however, the task force recognizes the need for various scales and types of screening for various types of facilities.
- Testing needs to be more robust, but Hawaii's labs can currently support up to 3,000 tests per day.
- The contact tracing is evaluating technological solutions and discussing ways to get manpower assistance to DOH to get fast, effective contact tracing.

- Determining quarantine capabilities is important for current and future needs, as is creating different levels of quarantine based on risk. Currently, enforcement of quarantine is the sticking point.

Approximately 5,000 people in the healthcare sector, University of Hawaii nursing students, and Hawaii National Guard members may have the appropriate background and be available to assist DOH in providing adequate contact tracing. Major General Hara noted that DOH has pushed back on receiving additional help, but that the task force has convinced the Governor to issue a formal order to be able to do testing and contact tracing.

V. RESTAURANTS AND RETAILERS REOPENING GUIDANCE

The Hawaii Restaurant Association submitted guidance on reopening and circulated the guidance through the industry and DOH Sanitation Branch on Friday. This guidance is based on recommendations by the National Restaurant Association but adapted for Hawaii's needs. Restaurants that are currently providing take-out services are already following the recommended guidelines on hygiene and social distancing, and the restaurants will continue to follow guidelines after dining rooms are reopened. The guidance has not been approved by the Sanitation Branch but has been approved by the Food and Drug Administration.

The Retail Merchants of Hawaii are working on guidance based on its national association and Centers for Disease Control and Prevention (CDC) guidelines. They note that their guidance aims to

apply broadly to various types of retail spaces, not just grocery stores. They note that not all retail businesses will be able to open even with government approval, as it may be too cost-prohibitive to reopen in compliance with any future guidelines. They are working with retailers to determine what reopening will look like. Factors that some retailers are considering include: whether it is more economical to reopen or shut down; which facilities or locations to reopen; which workforce is returning; supply chain and inventory considerations; business hours; signage; obtaining PPE and sanitation supplies; and what happens after the emergency proclamation ends. They are particularly concerned with enforcement of restrictions and do not believe that retailers should be the ones enforcing restrictions. They are aware of violence and protests at some retail locations nationally.

VI. HOMELESSNESS AND HOUSING UPDATE

Speaker Saiki announced that a subcommittee on housing and homelessness will be formed.

James Koshiba of Hui Aloha shared that a draft paper on homelessness and housing is in the works. He noted there will likely be a wave of homelessness and housing instability in the next few months. The State should be mindful of:

- Economic gaps, particularly that there are long-term needs that go beyond the existing short-term assistance or solutions. Hawaii's housing needs will likely last longer than the national recovery, and a surge in homelessness and

housing instability is likely at the time the federal services expire in July.

- There is a gap in support for renters. There is currently no relief for renters, and there was a 10 to 15 percent increase in people who missed rent. There is currently mortgage forbearance for up to a year but no similar assistance for renters.
- There is a gap between existing services, which are aimed at long-term and chronic homelessness, and people who are becoming homeless, who would not qualify for those services.

The State should also be mindful of opportunities:

- Take advantage of the current soft rental and real estate market. Low income housing vouchers may be more attractive to landlords as a steady source of income.
- CARES Act and Federal Emergency Management Agency (FEMA) funds can be used for housing.
- Support should be given to community efforts to address homelessness and housing issues.

The draft paper proposes eight action steps. Three highlighted by Mr. Koshiba are:

- Investing moderate funds to increase staffing of nonprofit organizations will take advantage of housing voucher opportunities.
- Rent relief should be provided through flexible loans, rather than through grants. The loans should be tied to financial

education and counseling, and property owners and landlords should be involved in the structuring of the loans.

- Emergency funds from FEMA and the U.S. Department of Housing and Urban Development should be used to develop permanent affordable housing, rather than just temporary housing.

VII. ADDITIONAL COMMENTS

The Committee also heard the following comments from members:

- Speaker Saiki will invite the Judiciary to the next meeting so the Committee can express its concerns regarding the early release of inmates;
- Potential to have a subcommittee look into acceleration of CIP projects and county affordable housing projects;
- Hearing reopening plans from child care and day care facilities, as this may address some reasons employees may refuse or be unable to return to work; and
- The need for assistance to some retailers to catch up on missed lease rents.

VIII. NEXT MEETING

The Committee adjourned at 11:15 a.m. The next Committee meeting will convene on Monday, May 11, 2020, at 10:00 a.m. via videoconference.