

Monday, June 15, 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 Twelfth Meeting,

Held on Monday, June 15, 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 nonprofit 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 its twelfth meeting, the Committee discussed the State's economic outlook, the work of the Hawaii COVID-19 Public Health

Recovery Task Force, results of the Hawaii Green Growth Network Recovery Survey, and reports from the Housing and Homelessness Subcommittee as well as the Tourism Subcommittee.

I. OPENING REMARKS FROM SPEAKER SAIKI

The Committee added two new members, Na'alehu Anthony and Joseph W. Lapilio, to incorporate their work and include all perspectives when reopening and reshaping the economy.

II. UHERO UPDATE

Dr. Carl Bonham, Executive Director and Professor of Economics at the University of Hawaii Economic Research Organization (UHERO), gave an update on the State's economic outlook, business projections, and next steps. Dr. Bonham reported that last week, the Federal Reserve's forecast for the United States economy and the increase in coronavirus case counts in almost 50 percent of states renewed fear in the stock market. Dr. Bonham believes that this may lead to Congressional action to increase federal support for states, unemployed households, and the needy.

In Hawaii, Dr. Bonham stated that state tax collections for fiscal year 2020 through May are down 5.1 percent, compared to the Council on Revenues predicted decline of seven percent for fiscal year 2020. Excise tax and income tax collections for May were weaker than anticipated and represented the biggest decline.

Unemployment claims data has been falling, with initial claims data slowly declining since early April and continuing claims data declining for a month. Dr. Bonham stated that the declines were

expected after various policy responses (e.g., Paycheck Protection Program loans).

Dr. Bonham reported that retail activity is slowly returning. Google provides Community Mobility data which tracks movement trends over time and reports the differences in movement as either an increase or decrease from a baseline of movement established over a five week period from January 3, 2020, to February 6, 2020. The Community Mobility Reports show regional movement trends, including by State and county, across various categories such as recreation, parks, workplaces, and retail, including grocery stores and restaurants. The Reports have shown a statewide increase in retail activities from early April to the first week of May as the mobility data showed a statewide decrease from the baseline of 55 to 60 percent in early April to a decrease of only 39 percent from the baseline in the first week of May. The data shows signs that the reopening of the economy is beginning to occur, but the reopening of restaurants is moving slowly. Google's mobility Reports showed a 100 percent decline in activity in early April to a 90 percent decline during the first week of May.

Tax collection data also shows some signs that the reopening of the economy is beginning to have an impact. Furthermore, tax collections should improve in June; however, most businesses cannot operate at only ten to 20 percent capacity and will still struggle at 50 percent capacity. There are no signs of an increase in bankruptcies, but Dr. Bonham expects that to change.

UHERO released a blog post on unemployment claims by industry. The data confirms findings from UHERO's small business survey done in conjunction with the Chamber of Commerce. While the effects of shutdown are widespread, the predominate impact is on transient accommodations, food services, retail, and health and social services industries. Other than the health and social services industry, those business industries tend to employ a disproportionate number of part-time workers who do not have a college degree and are often women. This data highlights important policy considerations, including retraining workers and women's issues, such as child care.

III. HAWAII COVID-19 PUBLIC HEALTH RECOVERY TASK FORCE UPDATE

Dr. Mark Mugiishi, President and Chief Executive Officer, Hawaii Medical Service Association, provided an update on disease activity, including severity and prevalence, in relation to the matrix. Dr. Mugiishi classified the low number of hospitalizations as green. He stated that the spike in cases is probably related to one cluster and increased sporadic activity, so that category is somewhere between green (median number of new cases indicates sporadic activity) and yellow (median number of new cases indicates local controlled clusters). The Department of Health (DOH) contact traced the cluster fairly quickly and got it contained rapidly, which is key as the State reopens its economy. Capacity, the health care supply, hospitals, contact tracing, and diagnostic testing all remain robust and capable of handling the current number of cases, so Dr. Mugiishi said those categories are green.

Speaker Scott K. Saiki asked Alan Oshima whether the matrix would be online. Mr. Oshima stated that they are working on trying to display it on the Navigator's website.

The Committee discussed the importance of engaging the public and promoting individual responsibility and accountability in maintaining public health. Dr. Bonham suggested posting placards on personal responsibility guidelines at every business. The Committee also discussed the possibility of consequences for noncompliance.

A question was raised regarding funding and responsibility for launching a communication strategy. Major General Kenneth S. Hara, Department of Defense (DOD), said that the DOD's focus is on funding the response and that everything else goes to the Governor's office for approval. Major General still does not know what allocation of funds DOD will be receiving. Speaker Saiki stated that there will be a follow-up at the Committee's next meeting. The Legislature will reconvene Monday, June 22, 2020, and more appropriations from the CARES Act are anticipated at that time.

Robert Yu, Deputy Director, Department of Budget and Finance, commented that, as of last week Friday, the department received all requests from the county mayors on the CARES funding, and expects to distribute the money shortly. Speaker Saiki noted that the Legislature appropriated \$561,000,000 to the counties, which includes \$387,000,000 for the City and County of Honolulu.

IV. HAWAII GREEN GROWTH NETWORK RECOVERY SURVEY

Hawaii Green Growth is a United Nations Local2030 hub launched after the 2008 financial crisis. Celeste Connors, Executive Director,

Hawaii Green Growth, stated that they conducted the networkwide survey in partnership with the Hawaii Tourism Authority, Chamber of Commerce, Hawaii Alliance of Non-Profit Organizations, and other partners to support Hawaii's economic recovery by identifying green growth jobs that are ready to go to put people back to work and support job transitions and a more equitable and resilient future. Information is available on the Aloha+ Challenge dashboard, which is localized at the county level and updated almost daily. Breanna Rose, Director of Operations and Partnerships, Hawaii Green Growth, presented the results of the survey, which is available on Hawaii Green Growth's website.

The committee discussed potential funding sources for these efforts, including public resources and private and philanthropic sources. Ms. Rose stated that Hawaii Green Growth is currently collecting data about how much it will cost and agreed to identify which jobs in the various sectors could be sustainable. Ms. Connors also mentioned that Hawaii Green Growth convenes about 50 meetings a year with public-private civil society partners and has a working group that meets three weeks every month to develop curriculum, project-based learning, and other areas.

V. HOUSING AND HOMELESSNESS SUBCOMMITTEE

James Koshiba, Hui Aloha, discussed highlights from the Subcommittee's draft report but noted that the final proposal is still being finalized. The Subcommittee is recommending the creation of a housing relief and resilience fund using a portion of the State's CARES Act funds. The program is for renters who can demonstrate loss

of income due to COVID-19; pre-COVID-19 income that was under 100 percent of the area median income; and liquid assets under \$10,000.

Under the proposed program applicants must agree to pay the same portion of their income for rent that they were paying pre-COVID-19 and engage in financial counseling and emergency budgeting help. Landlords must agree to a discounted rent for the next six months (equal to a 15 percent base discount); not evict tenants; and, if necessary, extend the lease to house people for the next six months.

The State would make up the difference in rent by paying an estimated lump sum of \$2,700 (all six months) directly to the landlord. Mediation and legal support would also be available to take care of back rent issues. The Subcommittee is recommending a funding mechanism whereby the Legislature appropriates funds to a state agency that then issues a grant-in-aid to a statewide nonprofit intermediary, which in turn subgrants the funds to community and nonprofit agencies across the islands.

VI. TOURISM SUBCOMMITTEE

Chris Tatum, President and Chief Executive Officer of the Hawaii Tourism Authority, serving as Chair of the Tourism Subcommittee provided an update on the recovery of tourism. The Subcommittee is currently working on plans and strategies to implement across the State. Mr. Tatum noted several details from the results of traveler surveys in the country (see the June 15, 2020, COVID-19 Response: Hawaii Tourism Recovery presentation on the Committee's website).

Peter Ingram, President and Chief Executive Officer, Hawaiian Airlines, provided an update on the status of airlines. Air traffic

is currently in the low- to mid-80 percent range, with leisure travel rebounding a little better than business travel. Mr. Ingram stated that the survey factors mentioned by Mr. Tatum point to a slow recovery for Hawaii. The Department of Business, Economic Development, and Tourism's visitor arrivals forecast predicts approximately 3.4 million arrivals in 2020 and 6.2 million arrivals in 2021, down from roughly 10.4 million in 2019.

Mr. Tatum emphasized the Hawaii Tourism Authority's (HTA) four priorities for the future of tourism: natural resources, Native Hawaiian culture, community, and brand marketing. He also mentioned that HTA recently recommended to its board that HTA facilitate destination management in each county. Mr. Tatum stressed the importance of engaging the community and counties when managing the future of tourism.

Mufi Hannemann, President and Chief Executive Officer, Hawaii Lodging and Tourism Association, discussed the process of creating protocols for various tourism-related businesses. Mr. Hannemann stated that it was important to have a minimum, standard set of hygiene protocols in order to reopen tourism. The process included engaging various hotels, including the unions; examining national standards; and seeking DOH approval. Mr. Hannemann said it was important to make the workers feel safe coming back to the workplace and to convince the community that it is safe to reopen.

Mr. Tatum said the Tourism Subcommittee's plan is to continue to support the State's virus mitigation efforts, develop safety protocol

communications, and support the airport screening process and traveler communication.

VII. NEW SUBCOMMITTEES

Speaker Saiki announced the formation of the Agriculture and Food Stream Subcommittee, to be chaired by Representative Onishi. Speaker Saiki also announced that they will appoint a subcommittee to help monitor CARES Act funds to ensure that the funds will be spent in Hawaii and not lost in the state bureaucracy.

VIII. NEXT MEETING

The Committee will reconvene on Monday, June 29, 2020, at 10:00 a.m. via videoconference.

IX. ADJOURNMENT

The Committee adjourned its meeting at 11:30 a.m.