

Monday, July 13, 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 Fourteenth Meeting,**

**Held on Monday, July 13, 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 its fourteenth meeting, the Committee received a Congressional update on federal funding to address COVID-19 concerns, as well as an

update from the Governor and the Tourism Subcommittee. The Committee also discussed the State's economic outlook and the work of the Hawaii COVID-19 Public Health Recovery Task Force.

**I. CONGRESSIONAL UPDATE**

Congressman Ed Case reported that the U.S. House Committee on Appropriations is still meeting to try to pass out appropriation bills; however, these appropriation bills are for the next fiscal year. From a federal perspective, the Coronavirus Aid, Relief, and Economic Security (CARES) Act and related relief funds have provided trillions of dollars nationally since March. About \$7.7 billion has been received in Hawaii, with about \$50,000 left in CARES Act funding that has not yet been disbursed.

Congressman Case acknowledged that what the CARES Act has provided so far is not enough and the second spike in COVID-19 cases requires another round of federal emergency assistance. The Health and Economic Recovery Omnibus Emergency Solutions (HEROES) Act, which is another federal emergency assistance bill, was passed by the House in mid-May, but has since been languishing in the Senate. Negotiations on the measure are ongoing and while Congressman Case expects the measure to pass by the end of July or early August, it is unclear at this point what its final contents will include. The timing creates an immediate fiscal cliff because CARES Act funding runs out at the end of July.

Congressman Case clarified that the Paycheck Protection Program (PPP) did not terminate on June 30; in fact, the time within which businesses could expend PPP funding was extended. However, because

many businesses were on track to spend their funding by June 30, it was hard for them to pivot once the PPP was extended. Thus far, no second round of PPP funding has been authorized. If a small business has not taken advantage of PPP yet, the business should contact the Small Business Administration (SBA) or Congressman Case's office as soon as possible because the deadline to apply for initial PPP funds has been extended to August 7, 2020. About 24,000 businesses in Hawaii have taken advantage of PPP, totaling \$2.5 billion in assistance.

Congressman Case said that most SBA lenders in Hawaii are not accepting further PPP applications. One concern has been the forgiveness provisions of the PPP. The Committee asked Congressman Case if he could provide a list of lenders who are still participating in PPP.

Co-chair Peter Ho, Chairman, President, and Chief Executive Officer of Bank of Hawaii (BOH), noted that PPP activity has slowed dramatically and BOH sunset its PPP-1 program about 10 days ago. He noted that if there are still pockets of activity, BOH could focus on those businesses. Constance Lau, American Savings Bank, said when they heard there are still small businesses interested in PPP, American Savings Bank asked the SBA to let them know about those businesses interested in the program.

Congressman Case also noted that part of the HEROES Act, which remains under discussion, would help states to replenish unemployment funds.

## II. UPDATE BY GOVERNOR IGE

Governor David Ige provided an update on the Health Dashboard. Hawaii continues to have one of the lowest fatality rates in the nation; however, because of the increase in the number of cases, the prevalence measure has been moved up from green to yellow.

This past week set two new records in Hawaii for the highest level of new case activity. Regardless, the State is in a good place for most other areas on the dashboard, specifically:

- Healthcare supply. The State is at 50 percent capacity. There are three COVID-19 patients in intensive care units statewide.
- Contact tracing. Even with the increase in cases, the State is still well below any level of concern. Training has been completed for more than 300 tracers and the State is on track to have another 900 in place by month's end. The State is using just under nine percent of its contact tracing capacity, with 311 active cases being monitored. Hawaii is the only state which has been actively contact tracing for the whole pandemic.
- Testing. The State is using about 33 percent of its testing capacity. On any day, an average of 1,300 to 1,600 tests are taken. More than 5,000 samples can be tested per day in the State, although there have been concerns about our supply chain and an inability to get the needed reagent.

The Governor reemphasized the need for physical distancing, staying home when sick, and keeping children home when sick. Clusters have led to increased cases. It is important to remain vigilant, especially in light of asymptomatic transmission.

The Governor responded to various questions from the Committee:

- CARES Act legislation. The Administration is reviewing the CARES Act appropriation bill that was passed by the Legislature. The Department of Budget and Finance has reviewed the bill and the Governor hopes to sign it within the next week or so.
- August 1 pre-travel testing program. The Governor is meeting with the mayors this morning to review data and will focus on what makes the best sense for our community. The new case counts and break in the supply chain for testing reagents create a difficult situation. He will make an announcement related to the pre-travel testing program and 14-day quarantine later in the day.
- COVID-19 testing. Visitors are saying they are having difficulty finding COVID-19 tests for which results can be returned within 72 hours. The Governor reported they have reached out to all major testing organizations to ask them to participate. A lot of supplies have been diverted. They are working on getting the broadest options for testing locations available.
- Small businesses. Is there an immediate plan to help small businesses survive? CARES Act funding was distributed to

all the counties and the Legislature provided some additional support. PPP loans have delivered \$2.5 billion to businesses. While the Governor is looking at what programs the State can initiate to help, nothing the State can do will be of the same magnitude of support that the federal government can provide.

- Messaging. The Committee asked the Governor to consider new messaging for a younger crowd on what COVID-19 clusters mean.
- Opening up travel and schools. The Committee discussed a lack of understanding of social distancing and asymptomatic transmission in younger populations and expressed concerns about opening up travel and schools while trying to educate these populations. The fact that the reopening of schools and transpacific travel are set to occur around the same time could lead to increases in cases and the Governor and mayors have been discussing this issue. Events happening elsewhere in the world are a legitimate concern and testing people who travel to Hawaii adds another layer of security. Right now, between 2,000 and 2,500 people are arriving into Hawaii each day and none of the people are tested prior to their arrival.
- Liability of businesses related to COVID-19. The National Governors Association has identified liability issues for businesses as a priority.

- Clarification regarding host liability for visitors who break quarantine. Governor Ige will be extending the 14-day mandatory quarantine for all incoming travelers through the end of August. The State has contracted with a developer to put quarantine information online to allow information to be managed digitally and automate the follow-up required as part of contact tracing and quarantine enforcement. A supplemental proclamation will address host liability for quarantining visitors. Businesses and individual residents that host visitors will be responsible for helping to enforce quarantine and will be held liable for quarantine violations.
- Core actions. The next emergency proclamation will address the core actions that need to be taken to reduce the number of new cases, including a statewide order regarding the wearing of masks and statewide action regarding the size of gatherings.

### **III. 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. ([07-13-20 UHERO Update](#))

The labor market has largely stabilized over the last several weeks. Continuing unemployment claims have averaged out at about 125,000 claimants who continue to receive benefits. There is not a lot of evidence from jobs data that the PPP loans made a big difference in reducing unemployment.

UHERO and the Chamber of Commerce Hawaii have launched a follow-up to their previous survey of businesses in the State. According to new data, at the worst point in time, about 45 percent of all small businesses were not doing any transactions. By the end of May, that number was down to 23 percent, and as of the end of June, it was down to 15 percent. Revenue actually started declining before the major closures at the end of March. At its worst during the pandemic, revenues were down 70 percent as compared to revenues at the beginning of January. People were choosing not to go out before widespread closures because of uncertainty from the virus.

The increasing number of cases in the last month is concerning. As surges widen and if good data on the source of cases is not available, consumers will worry about whether to go out and the economy will suffer.

The Committee discussed concerns about the prospects of small businesses staying open amidst declining revenues.

Based on a weekly survey, there is continued pessimism over expectations that someone in the household will have a loss in employment income. Housing insecurity is also on the rise. In UHERO's most recent survey, 30 percent in the State have either missed a housing payment or have concerns they will miss a payment.

The next survey will try to evaluate the relationship between the current data and CARES Act funding appropriated by the Legislature for rental housing. It is predicted that more than 30,000 households can be served by the recent legislative appropriation and there are also county relief funds that are being activated. It may be worthwhile to

try to coordinate those efforts. The federal unemployment supplemental assistance of \$600 per week will be ending soon, followed by State unemployment assistance later in the year.

It is possible the State will see an increase in unemployment in July because many companies that received PPP were under the impression they had to spend down the funding when those PPP loans ended. Even with the anticipated reopening in August, retail stores are not realizing positive impacts.

#### **IV. HAWAII COVID-19 PUBLIC HEALTH RECOVERY TASK FORCE UPDATE**

Dr. Mark Mugiishi, President and Chief Executive Officer of the Hawaii Medical Service Association (HMSA), provided an update on the Public Health Recovery Task Force's work. Hawaii Pacific Health (HPH) did an analysis on what we could expect with the reopening of the local economy which has proven to be accurate. HPH anticipated we would probably get 20, 30, or 40 cases of COVID-19 but that the State would be prepared to handle them with adequate healthcare capacity, contact tracing, and testing availability. New cases are not overwhelming the health care system; however, the State is at the mercy of public behavior. Social distancing, wearing masks, and proper hygiene are all still critical.

Raymond Vara, President and Chief Executive Officer, HPH, said they have been working with mainland suppliers of testing kits and have been making some progress on getting supplies restored.

#### **V. TOURISM SUBCOMMITTEE**

Chris Tatum, President and Chief Executive Officer of the Hawaii Tourism Authority, reported that they are preparing protocols for the

reopening of the tourist economy by working on pre-arrival and post-arrival messaging for visitors. It is important to make sure the messaging to travelers is in line with what the State is telling residents. Dissemination of the right information is critical so travelers understand the expectations when they arrive.

There is not a lot of demand for travel right now. Travelers will not be actively going out and purchasing large vacation trips until they know exactly what they have to do when they arrive or return to Hawaii.

The increase in positive cases and difficulty with testing present challenges to reopening the tourist economy. The number of cases has gone up dramatically in some key markets since the Governor's announcement about the pre-travel testing program.

A weekly survey revealed that 63 percent of travelers feel the situation is going to get worse in the next month - up dramatically from 34.7 percent at the beginning of June. Perceptions of travel activities being unsafe are at their highest since the week of April 27. Over 40 percent of Americans say they don't have a trip planned. It will be a long time before the tourist economy is back to pre-COVID-19 levels.

## **VI. CLOSING**

The Housing and Homelessness Subcommittee, CARES Funds Subcommittee, and Agriculture and Food Stream Subcommittee did not give oral reports. An electronic presentation is available from the CARES Funds Subcommittee and a report from the Agriculture and Food Stream Subcommittee ([Report](#)) is available on the Committee's website.

**VII. NEXT MEETING**

The Committee will reconvene on Monday, July 27, 2020, at 10:00 a.m. via videoconference.

**VIII. ADJOURNMENT**

The Committee adjourned its meeting at 11:20 a.m.