

Monday, October 26, 2020

10:00 a.m.

Via Videoconference

State Capitol

415 South Beretania Street

House of Representatives

Thirtieth State Legislature

House Select Committee on COVID-19 Economic and Financial Preparedness

Report of the Select Committee's Twenty-First Meeting,

Held on Monday, October 26, 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 twenty-first meeting, the Committee received updates on Hawaii's economy from the University of Hawaii Economic Research Organization (UHERO) and the Department of Business, Economic Development, and Tourism (DBEDT), and received updates from the Communications and Strategy Subcommittee and Governor Ige.

I. HAWAII ECONOMY UPDATE BY UHERO

Dr. Carl Bonham, Executive Director of UHERO, provided an update on Hawaii's economy (see October 26, 2020, UHERO Select Committee Update presentation on the Committee's website, to be posted).

UHERO's update at the last committee meeting showed Hawaii's decline in real GDP of 42.2 percent, ranking Hawaii as having the weakest economy in the nation, and the latest employment and unemployment statistics by the federal Bureau of Labor Statistics (BLS) confirm this dire economic position. According to BLS employment statistics for September 2020, Hawaii led the nation with an 18.4 percent decline in year-over-year employment. The state with the second-highest decline is New York at 11.2 percent. Additionally, according to BLS unemployment statistics for September 2020, Hawaii also led the nation with a 15.1 percent rate of unemployment, which is significantly higher than the national average.

Dr. Bonham further reported a breakdown of the employment statistics by sector. There were a few sectors that displayed an increase in employment, such as construction and federal civil service. However, the majority of sectors displayed decreases in employment, including finance, health care, accommodations, and food service.

According to an experimental index of high frequency data created by UHERO, overall employment statistics in October should indicate a recovery in employment. UHERO's experimental index of high frequency data includes data on employees that worked, hours worked, and small business revenue. The experimental index has been updated to include some data in October compared to the employment statistics, which is extrapolated from survey responses from the first half of September. The experimental index is continuously evaluated for its reliability.

With respect to tourism and the State's Pre-Travel Testing Program, visitor arrivals have exceeded expectations. UHERO had projected that visitor arrivals for the second half of October (the time period accounting for the launch of the State's Pre-Travel Testing Program on October 15) would only be 10 percent of the visitor arrivals for the same time period last year. However, data suggests that the actual visitor arrivals for the second half of October will likely be approximately 15 to 20 percent of the visitor arrivals for the same time period last year. This may be correlated to the increase in new job advertisements and persons returning to work in the high frequency data.

Eric Kingma, Executive Director of the Hawaii Longline Association, expressed that the trends discussed by Dr. Bonham parallel the trends observed in the fishing industry. Mr. Kingma provided a situation summary to the Committee that presents an economic overview for the fishing industry up to October 15, 2020 (see October 26, 2020, [Hawaii Longline Association - Impacts to Hawaii Longline Fishery and Associated Seafood Industry report](#) on the

Committee's website). Mr. Kingma notes that overall revenue for fisheries is down approximately 50 percent compared to the same period over the last five years, which is approximately \$30 million in lost revenue. The next situation summary will attempt to determine the impact of increased visitor arrivals on local fish prices.

II. COMMUNICATIONS AND STRATEGY SUBCOMMITTEE UPDATE

Mr. Raymond Vara, President and CEO of Hawaii Pacific Health, provided an update from the Communications and Strategy Subcommittee. In anticipation of the October 15 tourism reopening, communication efforts were concentrated on ensuring data and information were easily accessible through the State's COVID-19 dashboard (www.hawaiicovid19.com), ensuring that the caller line was prepared for inquiries, and implementing strategies of communication to residents, tourists, and agencies that provide support to the State's Pre-Travel Testing Program. Since the reopening, communication efforts have concentrated on informing residents of the impacts of increased travelers, informing travelers of the expectations when visiting the State, and looking at how the holiday season can be safe. Mr. Vara notes that COVID Pau website (www.covidpau.org) released some information with regard to being safe during this holiday season, and state and county leaders are mindful of the impact of the holidays.

Mr. Vara provided updates on three of the four areas of concern identified by the Subcommittee at the Committee's Nineteenth Meeting. With respect to the public health infrastructure, Mr. Vara stated that much progress has been made by Major General Kenneth S. Hara and the Department of Health to build up the capabilities in testing strategy,

disease investigation, contact tracing, and quarantining. The key will be in their execution, and the recent outbreak on Lanai is an example of a good public health response: testing was activated and conducted quickly, and people understood the need to quarantine and adhere to behaviors that mitigate the spread of the virus.

With respect to validating travelers' tests, there has been some confusion by travelers since the reopening and the launch of the State's Pre-Travel Testing Program. One of the greatest challenges has been the number of tests that needed manual validation because the Safe Travels Hawaii platform has been unable to recognize the test results.

Finally, with respect to alignment of the counties' strategies and policies, communication continues to ensure that people understand the policies of each county, which may differ from county to county. It should be noted that the communication of county policies is continuously evolving as policies evolve. For example, the County of Hawaii implemented a policy of testing travelers upon arrival. The County of Hawaii quickly found out, however, that the test does not mitigate a substantial amount of risk. Of the initial 3,000 tests conducted by the County of Hawaii, nine were classified as presumptive positive, and all were later determined to be negative.

Additionally, communications should reemphasize the need for safe behaviors entering the holiday season and the importance of getting the flu vaccine.

Pamela Tumpap, President and Secretary of the Maui Chamber of Commerce, raised concerns about the Safe Travels Platform and

communication to incoming visitors. Currently, the Safe Travels Platform has a two to three-day backlog of tests requiring manual verification due to the higher-than-expected visitor arrivals. Ms. Tumpap stated that the QR codes are not working as persons arrive with their negative results, not the QR codes, leaving workers unsure of whether or not visitors are required to quarantine.

Additionally, Ms. Tumpap stated that many visitors believe that a negative pre-travel COVID-19 test exempts them from certain behaviors, such as wearing a mask in public, since the negative test exempts them from the mandatory quarantine. Ms. Tumpap suggests that more be done to communicate expectations and mandates to visitors. Mr. Vara confirmed that the Subcommittee has heard this same complaint and agrees that more needs to be done to increase visitors' awareness of expectations while in the State.

III. DBEDT'S RESULTS OF THE HAWAII BUSINESS SURVEYS

Dr. Eugene Tian, State Economist and Research and Economic Analysis Division Administrator of DBEDT, provided the results of the Hawaii Commercial Rent Surveys conducted by DBEDT (see October 26, 2020, [DBEDT Hawaii Business Survey presentation](#) on the Committee's website). DBEDT will be conducting the Hawaii Commercial Rent Surveys on a quarterly basis. The first survey was conducted in July 2020, and the second survey was conducted in September 2020.

First, the Hawaii Commercial Rent Survey inquired whether businesses closed during the pandemic and the state of their current operations. On a statewide basis, 39.1 percent of businesses responded that they have never closed, 20.3 percent of businesses

responded that they closed but are currently partially reopened, 16.6 percent of businesses closed but are currently fully reopened, and 24.1 percent of businesses are currently closed. In comparison to the results of the July survey, the percentage of businesses responding that they are closed increased by eight percent. This information is further broken down by county and by industry in the presentation.

Second, the Hawaii Commercial Rent Survey inquired of businesses the percentage of their revenue they believe comes from tourism. In the July survey, as a whole, 27.2 percent of revenue was believed to have come from tourism. In contrast, in the September survey, 36.4 percent of revenue was believed to be derived from tourism. Survey respondents only represent the private sector.

Third, the Hawaii Commercial Rent Survey asked businesses to project their expected business revenues for calendar years 2020 and 2021 as compared to their 2019 revenue. For calendar year 2020, an overwhelming majority of businesses expect revenues to be less than the revenues generated in calendar year 2019 and 41.2 percent of businesses expect to see a decline in revenues of more than 50 percent. For calendar year 2021, the trend continues where an overwhelming majority of businesses expect revenue to be less than revenue generated in 2019, and 21.5 percent of businesses expect to see a decline in revenue of more than 50 percent.

Fourth, the Hawaii Commercial Rent Survey inquired into businesses' rent status during the pandemic: whether businesses' rents were paid in full, partially paid, or not paid at all. Of all respondents, 59.7 percent stated that their rent was paid in full,

30.8 percent stated that their rent was partially paid (businesses representing approximately \$37 million in unpaid rent owed per month), and 9.4 percent stated that they have not paid at all (businesses representing approximately \$25 million in unpaid rent owed per month). This information is also broken down by sector in the presentation.

Fifth, the Hawaii Commercial Rent Survey inquired into a business's ability to pay various business expenses. Of all respondents, 43 percent stated they are experiencing extreme hardship to pay business rent, 40 percent are experiencing extreme hardship to pay employees, and 36.7 percent are experiencing extreme hardship to pay operating expenses. The presentation also provides a breakdown of the percentage of businesses experiencing other degrees of hardship with respect to those three categories of business costs.

Lastly, the Hawaii Commercial Rent Survey asked businesses for their view of the State's Pre-Travel Testing Program. Of all respondents, 80.3 percent agreed with allowing a PCR pre-test from the U.S. mainland with no restrictions on movement in Hawaii, 72.2 percent agreed with allowing a PCR pre-test from foreign countries with bilateral agreements with no restrictions on movement in Hawaii, and only 17.4 percent agreed with no PCR pre-test with enhanced quarantine movement (hotel and resort bubbles) for foreign and domestic travelers.

The full final reports of the Hawaii Commercial Rent Surveys are available for the [July](#) survey and the [September](#) survey.

Co-chair Peter Ho, President and CEO of the Bank of Hawaii, suggested that the remaining capitalization and liquidity of Hawaii

small businesses necessary to remain viable should be determined to ensure that small businesses can get through the pandemic.

IV. GOVERNOR IGE UPDATE

The State continues to implement the Hawaii Pandemic Action Plan with the three pillars of protecting public health, reviving the economy, and strengthening the community. Thus far, the launch of the State's Pre-Travel Testing Program on October 15 is the biggest contribution to the Action Plan, primarily focused on reviving the economy. In the Testing Program's first weekend (Thursday through Sunday), more than 37,000 travelers visited the State, an average of more than 9,000 travelers per day. In the Testing Program's second weekend, there was a drop to 29,000 travelers, an average of more than 7,000 travelers per day. The Testing Program's second weekend statistics are the expected visitor activity for the remainder of the shoulder season, which will allow the State to improve the Testing Program without the stress of substantial visitor activity.

Additionally, the State is making strides with international travel. The State and Japan are close to finalizing a travel plan that will allow a travel bubble between the two destinations. Other international destinations, such as South Korea and Canada, are also reaching out to work on similar plans.

The State announced the [COVID-19 Vaccination Plan](#), which was submitted to the federal Centers for Disease Control and Prevention (CDC) and provided the basic framework for vaccine distribution. The State's COVID-19 vaccination goal is to vaccinate 60 to 70 percent of the community, translating to 700,000 to 800,000 doses of the vaccine.

There are several vaccine candidates advancing through the U.S. Food and Drug Administration's (FDA) approval process. A vaccine is anticipated to be safely and securely approved by the first quarter of 2021, but with limited quantities. Broad availability of the vaccine is anticipated in the late second quarter or early third quarter of 2021.

The State has enjoyed several successes. The Rent Relief and Housing Assistance Program continues to be successful with the nonprofit vendors, Catholic Charities Hawaii and Aloha United Way, continuously improving its administration. Restaurants have reported success with the Hawaii Restaurant Card Program. Hawaii's healthcare system continues to do tremendous work by reducing the number of COVID-19 cases in hospitals from 310 in late summer to 64 on October 26, 2020.

Lastly, the Governor provided some county updates. The Governor signed an updated emergency order for Maui, implementing a stay-at-home order for Lanai in response to the outbreak there and in anticipation of more cases. Superspreader events appear to be large private gatherings in excess of the public restrictions. Those events accelerate the number of cases. Hawaii County Mayor Harry Kim implemented an aggressive testing schedule, concentrating on communities anticipated to have clusters. The aggressive testing has led to the identification of many COVID-19 positive cases and the county's increased number of cases.

Representative Bob McDermott inquired into efforts to communicate to hotel employees the opportunity for free testing at Waikiki Shell.

The Governor stated that his office will communicate with the mayors and the unions, Local 5 and ILWU, to ensure efforts are made to communicate the testing opportunity to all hotel employees. The Governor notes that test kits for surge testing were made available to each island and surge testing is being coordinated. Mufi Hannemann, President and CEO of the Hawaii Lodging and Tourism Association (HLTA), noted that there are unionized and non-unionized employees and that the HLTA will ensure that all member hotels will communicate the testing opportunity to their employees.

Tina Yamaki, President of the Retail Merchants of Hawaii, inquired if there are plans to use CARES Act funds to create signage for resort areas that reminds tourists of the expected behaviors, such as wearing masks in public. The Governor stated that the State is working with the airlines to communicate the expected behaviors of visitors in the State. Informational videos were distributed to airlines and are playing in the airports. While signs were distributed to resorts, it is each resort's responsibility to produce the signs. The Governor stated that his office will work with the Hawaii Tourism Authority and HLTA to provide standard signs the resorts may use or create themselves. Sherry Menor-McNamara, President and CEO of the Hawaii Chamber of Commerce, agreed that communication is key, especially with respect to the nuances of each county's rules - once a visitor steps off an airplane, there should be clear communication of the rules.

Ms. Tumpap asked the Governor for more guidance on the QR code delay. The Governor recognizes that some travelers are having

difficulty uploading their reports to the Safe Travels platform, either because they are uploading the wrong format (e.g., uploading screenshots or mobile versions) or are providing the information in a manner that cannot be accepted. The State is working with airlines to assist travelers toward a smoother process. A development team is investigating other types of files that may be accepted on the platform.

Ms. Tumpap further inquired whether a visitor could receive a permanent key card with proof of a negative test when a QR code has not been generated, or whether that visitor must be given a short-term key card. The Governor wanted to look into that inquiry further and provide an answer to members at a later time.

Wendy Laros, Executive Director of the Kona-Kohala Chamber of Commerce, suggested that further efforts be made to streamline the state and county rules and further communicate that information. In addition, there is a need for the State to investigate claims that returning residents are meeting resistance from approved testing partners on the mainland when attempting to receive a pre-travel test in order to return home to Hawaii.

Co-chair and Speaker of the House of Representatives Scott K. Saiki echoed the concern that there is much confusion over state and county rules, such as mask requirements. The Governor agrees that the State can better communicate the requirements under the state rules. The Governor notes that the provisions of Emergency Orders are modeled on the latest guidance, which changes frequently and may be incorporated by the counties leading to further discrepancies. The

Governor further notes that the State and counties try to mirror language as much as possible.

Mr. Hannemann commented that efforts must continue to reinforce and reiterate the rules to local residents. This stems from Honolulu Chief of Police Susan Ballard's comments stating that most persons violating COVID-19 restrictions were local residents.

Dr. Bonham reiterated the need for clear and consistent messaging of the State's and counties' rules. Dr. Bonham believes that communication is failing, and more work needs to be done to address the lack of clear and consistent messaging.

House of Representatives Majority Leader Della Au Belatti inquired into what the funding mechanism would be for post-arrival tests that are currently being funded by CARES Act funds set to expire at the end of the calendar year. The Governor stated that with the proliferation of quicker, cheaper tests, the State Department of Health will be experimenting with available tests to determine which tests will fulfill the State's testing strategy. Any systemic testing program must account for in-person learning. While the State experiences a budget crisis, technology will aid the State's efforts because tests are becoming increasingly less expensive.

V. NEXT MEETING

The next Committee meeting will convene on Monday, November 9, 2020, at 10:00 a.m. via videoconference.

VI. ADJOURNMENT

The Committee adjourned its meeting at 11:05 a.m.