



The Senate

STATE CAPITOL
HONOLULU, HAWAII 96813

Friday, June 19, 2020

MEMORANDUM

TO: Senate President Ronald D. Kouchi

FROM: Senate Special Committee on COVID-19

RE: Senate Special Committee on COVID-19 Report

Dear Senate President,

Please see the attached report prepared following the June 18, 2020, Senate Special Committee on COVID-19 meeting with the following:

- Department of Business, Economic Development and Tourism
- Hawaii Technology Development Corporation
- Hawaii State Energy Office
- Business and Support Division
- Hawaii Green Infrastructure Authority
- Creative Industries Division
- Natural Energy Laboratory of Hawaii Authority
- Pacific International Space Center for Exploration System
- Hawaii Tourism Authority
- Hawaii Department of Education

Sincerely,

Senator Donovan M. Dela Cruz

Senator Jarrett Keohokalole

Senator Michelle N. Kidani

Senator Donna Mercado Kim

Senator Sharon Moriwaki

Senator Kurt Fevella

Attachment

Department of Business, Economic Development and Tourism (DBEDT)

Mr. Mike McCartney, Director, and Mr. Chung Chang, Deputy Director, gave the committee the following report.

Post-COVID-19 Job Creation

- Mr. McCartney explained that the department's focus is learning how to deal with a new normal of life with COVID-19.
- DBEDT is trying to find a balance between staying safe and economic recovery, with their main focal point being job creation and increasing tax revenue beyond tourism.
- Mr. Chang insisted any action must come from data-driven analysis and bear in mind the possibility of spikes.
- The aim of DBEDT's initiatives is for the well-being of the people and environment of Hawaii, while also adhering to the Governor's and Economic Navigator's timeline for recovery.
- Beginning in March 2020, the department surveyed over 4000 local businesses to qualify the state for SBA PPP loans. Though June 12, SBA reports 23,786 Hawaii businesses have benefitted from \$2.4 billion in forgivable loans.
 - DBEDT has assisted in translations, outreach, and rent deferment for commercial tenants since the COVID outbreak.
 - Mr. Chang highlighted the launch of a business resource website and the resources provided for farmers as well.
- DBEDT submitted a matrix to the committee showing a combination of existing and new short, mid, and long-term initiatives factoring in their job creation and intended tax revenue.
 - Mr. Chang stressed that this matrix was not a final product.
- Remote working was considered as an initiative for diversification by exporting knowledge; however, due to internal discussions, this was not taken into consideration.
 - Mr. Chang made a note of this because it will be used in further considerations.
- Per the committee's request, Mr. Chang agreed to provide any updates to the matrix, as well as any new narratives from the department every first and third week of the month.

Hawaii Technology Development Corporation (HTDC)

Mr. Len Higashi, Acting Executive Director, provided the committee with the following report.

Economic Recovery and Job Creation

- Mr. Higashi submitted a presentation to the committee outlining HTDC's strategy for economic recovery.
- Mr. Higashi explained that the most critical need for Hawaiian businesses is an immediate cash flow in order to operate.
 - All DBEDT departments have worked tirelessly to build the e-commerce footprint of local businesses.
 - Additionally, they have educated local business owners on how to implement the proper safety protocols upon opening.

- Mr. Higashi also stressed the need to educate the workforce on transitioning to tech careers.
 - HTDC has conducted webinars for job hunting strategies, updating resumes, and tailoring LinkedIn profiles for recruiters.
- Another step to recovery outlined by Mr. Higashi was the use of Federal funds.
 - The department has worked hard in securing SBIR grants for businesses, being awarded four out of every six grants available from the Federal government.
 - The SBIR program is bringing 20 federal dollars for every state dollar, further illustrating its importance.
- Committee members inquired about the goal of 80 by 80 jobs, to which Mr. Higashi explained that it was still a top priority, is still giving clear direction to find jobs that could support someone as their primary source of income.
- Per the committee's request, Mr. Higashi informed them that SBIR is the federal government's largest small business source of funding.
 - Every department in the federal government is required to set aside a portion of their budget for this program and allocate it for small business.
 - The main goal of this program is to create jobs, and as of 2019, this program has created 600 jobs within the state, but Mr. Higashi agreed to provide the exact numbers to the committee.
- In the matrix provided to committee members, HTDC listed out all programs that are part of their economic stimulus initiative, post-COVID.
 - Mr. Higashi noted that there is no appropriation for Innovate Hawaii.
 - The programs will be either new programs or programs HTDC plans on ramping up.
 - Aside from Innovate Hawaii, there are other programs like an accelerator program, Buy Hawaii Give Aloha, Manufacturing Grants, Sandbox programs, and tech parks.
- Members of the committee asked if there were any partnerships in the ag-tech sector, or any attempts to utilize specialty crops.
 - Mr. Chang said DBEDT is now beginning to engage the ag sector.
 - While they had not previously engaged in that sector, they agreed that due to the circumstances, it would be necessary to increase jobs in this sector by leveraging their seat in ADC.

Hawaii State Energy Office (HSEO)

Mr. Scott Glenn, Chief Energy Officer, provided the committee with the following report.

Energy Sector Jobs

- There are 50 proposed or under development projects statewide.
 - 20 on Oahu
 - 13 on Maui
 - 12 on Hawaii Island
 - 3 on Molokai
 - 2 on Kaua'i

- These projects will create 5,674 jobs, per HSEO figures, with 5,244 being part-time (PT), and 430 being full-time (FTE).
 - Oahu will have 1,953 total (1,812 PT/ 141 FTE)
 - Maui Nui will have 1,924 total (1,772 PT/ 152 FTE)
 - Hawaii Island will have 1,360 total (1,234 PT/ 126 FTE)
 - Kaua'i will have 437 total (426 PT/ 11 FTE).
- The goal of HSEO jobs is to provide work while completing short- term, intermediate, and long-term energy goals for the state.
- Short term jobs include those that have been proven effective, have low burdens to taxpayers and have low barriers to entry
 - Solar construction, microgrids, and hurricane proofing were examples given by Mr. Glenn.
- Mr. Glenn highlighted the solar construction aspect as the most efficient job creator when combined with the state's 100% rooftop solar program.
 - The state wants 100% of residential rooftops to have solar capabilities by 2045 and is currently sitting at 25%.
- For jobs in the intermediate, HSEO is trying to estimate the number of jobs in the pipeline and is working in connecting skilled laborers with recently announced Hawaiian Electric CIP jobs. HSEO is also trying to develop local talent and use local contractors.
- Many of these jobs will meet the 80 by 80 initiative, according to HSEO. An example of line workers and engineers was submitted.
- HSEO is also trying to work with the state's educational institutions to refine the talent pipeline better.
- Members of the committee inquired about the number of jobs in the pipeline. Mr. Glenn said there were 50 across all islands they were trying to develop and refine by skill.
 - HSEO is estimating these jobs at 5600 new jobs.
 - Phase 1 projects must undergo construction by 2020-2021, while phase 2 projects will be constructed on a rolling basis.
- Per the committee's request, Mr. Glenn agreed to provide updated numbers for their part in the matrix with as accurate estimates as possible. Additionally, Mr. Glenn agreed to provide the committee with a list of the exact kinds of jobs the state can expect to create from these projects to prepare people for training better.
- In regards to the school training pipeline, Mr. Glenn informed the committee that there are many community grant proposals and community college initiatives underway to educate students at an early age.
 - Mr. Glenn reminded the committee of legislation pertaining to HSEO, passed in a previous session where his office and community colleges can work together to train county workers on renewable energy technologies in neighborhoods.
 - This was used as a core starting point to expand from.
- Per the committee's request, Mr. Glenn agreed to provide an organizational chart of the channels of communication between his office and other agencies, such as DOH, and DPP.
 - Mr. Glenn was unable to provide this chart at the meeting due to ongoing reorganization.

- The HSEO is using the USDOE as a model for the organization.
- Per the committee's request, Mr. Glenn explained the HSEO operation budget is approximately \$2 million, and there are 25 filled positions and two frozen positions.
- Per the committee's request, Mr. Glenn agreed to keep the members updated on the organization's efforts, even with the regulations in place in land development and energy.

Business and Support Division (BSD) and Hawaii Green Infrastructure Authority (HGIA)

Mr. Dennis Ling, Administrator, and Ms. Gwen Yamamoto Lau, Executive Director, provided the committee with the following report.

Small Business Recovery

- Mr. Ling highlighted the Buy Hawaii Give Aloha initiative.
 - The goal of driving community-owned businesses to e-commerce websites for international and mainland customers.
 - Develop a state produced and managed marketplace of Hawaii made products.
 - Campaign to advertise and increase awareness of the site through PSAs, press releases, and social media platforms.
 - They plan to keep the site fresh and attract return customers through ongoing campaigns of special discounts and holidays.
- Funding for the project is in the base budget, and no legislative action is required.
- There is a goal for a soft launch in July, with \$20 million in sales in six to nine months, which BSD estimates will create 500 jobs, and generate \$4.2 million in state taxes.
- Mr. Ling also highlighted three federal loan programs that had the potential to be very useful to the state.
 - EDA grants for microloans to small businesses, which BSD is estimating the state can secure \$2 million from.
 - SBA grants to provide grants to companies to increase exports, which will be used for Hawaii's Japanese market. BSD estimates the state can secure \$1 million.
 - DoD grants are available to help state businesses with subcontracting work in the public and private sector, in areas of demonstrated competency, for example, cybersecurity and ship repair.
- Mr. Ling informed the committee that BSD is asking for \$250,000 in addition to their base funding, which, if granted, can be used with the three previous grants to create at least 750 jobs and generate \$5 million in state taxes.
- BSD is looking to establishing a small business loan fund to aid in keeping small businesses afloat.
 - The objective of this loan fund is to leverage \$75 million of CARES funding with the private capital of \$25-\$50 million to provide 100-125 million in flexible, low-cost capital to assist small businesses and nonprofits.
 - This will encourage private lenders to participate and will help businesses with ten or more employees.

- To administer this program, there will be requirements for amendments to the existing Disaster Commercial Loan Program, as well as revisions to the Hawaii Green Infrastructure Authority.
- BSD is estimating up to 50,000 jobs will be affected by the move.
- Per the committee's request, Mr. Ling informed them that the grant program discussed by him is supplemental to the city program, and therefore they are continually working together to ensure no overlap.

Hawaii Green Infrastructure Authority (HGIA)

Ms. Gwen Yamamoto Lau, Executive Director, provided the committee with the following report.

Economic Recovery and Job Creation

- Stressed the need for an immediate influx of longer-term capital to help local businesses recover through the end of this year.
- HGIA is asking for CARES funding and is including in their program that whatever funds not expended by November 1 be reallocated the DLIR, or any other department experiencing shortfalls.
- HGIA and BSD are working with banks in a supporting role to assure loan repayment from loanees by mitigating the risk and making it easier for banks to lend to small businesses.
 - Businesses will still need to provide a pro forma on how they are changing the way they will do business under the new normal.
 - The loan criteria are based on projections, cash flow, and needs, such as PPE.
 - There is a 2.5% interest rate, with a repayment priority to banks first, then HGIA with the possibility of part the loans being forgiven.

Creative Industries Division (CID)

Ms. Georja Skinner, Division Chief, gave the committee the following report.

Economic Recovery and Job Creation

- Per the 2018-2019 CID figures, the creative sector provided 53,464 jobs with an average salary of \$55,868.
- This industry generated \$4.2B in GDP or 4.5% of the state GDP
- Due to COVID, there has been a 65% reduction in jobs in this industry.
- Per CID, the two areas of focus for the agency is the Creative Capital Fund, using both EDA grants and CARES to fund, and the Digital Learning Lab
 - Ms. Skinner explained the first initiative is aimed at rural workforce development in the creative industry.
 - She informed the committee that the film industry would begin employing health care professionals on sight.
 - They are asking for \$2 million in CARES funding and a baseline of \$450,000, which funding is laid out for in HB299.

- The Digital Learning Lab is aimed to teach financial literacy to students at an early age. They are trying to target financial institutions and experts to bring the best knowledge to students.
- CID wants to pivot the creative labs typically used for producing media and content creation and make the financial literacy system with it, through aspects of storytelling or gamification.
 - There is an opportunity for participants to learn financial literacy while virtually attending Arizona State University for \$3,000 in their freshman year.
- Per CID, the target audience is adults. They want to see an immediate impact on the economy and have people gain knowledge that can be used or exported swiftly.
- CID asked for \$350,000 in CARES funding and \$350,000 from private grants to execute their Hawaii Media/ Creative Content Export Initiative.
 - This will help support the local content industry and the many small creators.
 - Per CID estimates, this will generate 550 jobs statewide and bringing close to \$4 million in revenue from the sale of art and music.
 - They are also asking for \$30,000,000 in funding for the P3 Creative Media and Film Studio under UH. Construction would commence 2025-2026.
 - Mr. McCartney asked to have followed up private discussions regarding the film studio and any remaining questions on the property.

Natural Energy Laboratory of Hawaii Authority (NELHA)

Mr. Greg Barbour, Executive Director, provided the committee with the following report.

Economic Recovery and Job Creation

- NELHA operates a 900-acre science and technology park in Kailua-Kona, focusing on advanced energy and aquaculture and has been funded by the state over 45 years.
- Mr. Barbour insists the most potential and the most immediate impact will come from aquaculture, as it is a revenue-generating and sustainable in providing food.
- The feds are beginning to shift their focus as well and looking at reallocating funds to the industry.
- Mr. Barbour explained that Hawaii has a natural competitive advantage, and should, therefore, move immediately and swiftly in securing funds.
 - Hawaii has many natural resources, is an ocean state, a large and ready labor force, available capital, the world's only aquaculture accelerator, and previous success in the industry.
- Per NELHA estimates, this industry can create double the number of jobs over the next five years and increase the economic impact by another \$50 million, and generate 50% more tax revenue (to \$7million) over the next five years.

Pacific International Space Center for Exploration System (PISCES)

Mr. Rodrigo Romo, Program Director, provided the committee with the following report.

Economic Recovery and Job Creation

- Mr. Romo identified three categories of aerospace that can benefit the state.
 - Small satellite launches
 - Unmanned aerial systems
 - Planetary surface operations, research and development.
- Two companies (Rocket Lab and Crossbow) have expressed interest in launching payloads from Hawaii.
 - Rocket Labs estimated 10-12 launches at the cost of \$6 million per launch.
 - Crossbow estimated 1-3 launches per year at the cost of \$15 million per launch.
 - 10% of costs go to launch facility, which would mean \$7.5M- \$10M for the state each year.
 - 50-100 jobs could be created from the auxiliary jobs surrounding rocket launching.
- For unmanned aerial systems, companies have expressed interest in, to put in Lanai.
- Firms have also expressed interest in putting an assembly plant in Hawaii for unmanned aerial vehicles.
- Per PISCES, 90 planes would always be in various stages of repair, requiring 30 days of repair.
- Estimates have up to 200 high tech jobs at the maintenance facility alone being created should the aerospace industry commit to the move.
- The potential gliders can remain in flight for several months at a time and have the ability to bring internet and cell signal to remote areas of Hawaii.
- Per the committee's request, Mr. Romo agreed to provide White Papers for each project, as well as they are all in different stages of maturity, including any needs for the project.

Hawaii Tourism Authority (HTA)

Mr. Chris Tatum, CEO, provided the committee with the following report.

Due to time constraints, Mr. Tatum promised to email his presentation to the members, but briefly answered questions.

Economic Recovery and Job Creation

- Mr. Tatum urged all stakeholders in tourism to work in a collaborative way, as what may work for one island may not work best for another, asking everyone to work together and not overwhelm any sector or area.
- Per the committee's request, Mr. Tatum explained that upon opening for trans-pacific tourism, HTA is working to ensure DOT has the strict protocols in place to be prepared.
- Per the committee's request, Mr. Tatum agreed to provide the preliminary budget for HTAs upcoming operations.

Hawaii Department of Education (HIDOE)

Dr. Christina Kishimoto, Superintendent, provided the committee with the following report.

Phases of Design and Delivery

- HIDOE is in phase two of reopening, which includes focusing their efforts on summer learning and transition planning.
 - HIDOE is maximizing summer learning opportunities in order to re-engage students.
- Phase 3 includes planning for reopening for the 2020-2021 school year. HIDOE is developing a reopening framework encompassing seven main areas of work that will guide decision making for the tri-levels of the department.
 - HIDOE is working to reopen August 4 and is planning to finalize and post their plans by July 2.
- The schools and principals will be using their own internal surveys to determine the best model to select for reopening.
- HIDOE is providing meals and transportation to students and looks to continue this into the school year.

The reopening framework:

- Health and Safety - Plans for cleaning practices upon reopening.
 - Hawaii Department of Health Guidance
 - Cleaning and Sanitation
 - PPE
- School Design- Ensuring students are highly engaged in the new environment
 - Assumption of instructional designs
 - Elementary, Middle School, and Secondary Model
 - Distance and Blended learning
- Equity and Access- Ensuring access to quality education regardless of location or economic status.
 - Support vulnerable students like special needs, and English learners
- Operations- ensuring the school day can proceed on predictable schedules.
 - Centralized services like meals and bussing
 - School-based operations like schedules, attendance, and security
- Staff Capacity- creating professional development and training through telework.
 - Labor Unions
 - Telework
 - Employment Laws
- Family and Community- strengthening community bonds through various initiatives.
 - 'Ohana help desk
 - Device Loan Program
 - Communications plan
- Contingency Planning- planning for the possibility of additional interruptions.
 - COVID-19 emergency planning team, monitoring, and reporting
 - Emergency Proclamations
 - Interruptions to school years.
- Per the committee's request, Dr.Kishimoto agreed to put the Senate in contact with Ms. Heidi Armstrong to provide an answer on how to deal with ALCs.

Online Learning

- HIDOE is asking for CARES funds to expand online learning, which they estimate will cost \$57.8 million.
 - 20,895 loaner tech devices distributed during school closures
 - 10,000 devices procured for Summer 2020 learning
 - 139,000 devices are available at schools for student use.
- Per Dr. Kishimoto, they plan on covering connectivity hot-spots and device loaning to the most vulnerable students. For the device loan program, students will be provided a device for home use and one for school use, ensuring access.
- Per the committee's request, Dr. Kishimoto explained that HIDOE's operating budget would normalize, so schools should be able to provide their students with iPads.
 - Still, it's the high schools that may face some challenges in providing laptops, but the HIDOE is expecting to allocate funds for that.
- Additionally, Dr. Kishimoto is planning on meeting with large corporate donors to secure the tech and repurpose it, rather than a donation of traditional school supplies.
- Parents can ask for multiple devices for multiple students at their homes.