



DEPARTMENT OF BUSINESS, ECONOMIC DEVELOPMENT & TOURISM

DAVID Y. IGE
GOVERNOR

MIKE MCCARTNEY
DIRECTOR

CHUNG I. CHANG
DEPUTY DIRECTOR

No. 1 Capitol District Building, 250 South Hotel Street, 5th Floor, Honolulu, Hawaii 96813
Mailing Address: P.O. Box 2359, Honolulu, Hawaii 96804
Web site: dbedt.hawaii.gov

Telephone: (808) 586-2355
Fax: (808) 586-2377

August 31, 2020

TO: The Honorable Donovan M. Dela Cruz, Chair
Senate Special Committee on COVID-19

FROM: Chung I. Chang, Deputy Director
Department of Business, Economic Development & Tourism (DBEDT)

RE: Economic Recovery: Status of Act 9 Programs, CARES Act Funds Appropriation

Thank you for this opportunity to provide you with the status of the three legislative initiatives appropriated to DBEDT to deploy and to manage:

- **\$36M – retraining and workforce development**
 - Of the \$36M appropriated to DBEDT in SB126, \$10M was released in Act 9. The legislative initiative and appropriation, based on private sector presentation for \$50M to the Senate WAM Chair Senator Dela Cruz and House FIN Chair Representative Luke on June 17, 2020, and reiterated by Senator Dela Cruz on a follow-up meeting on July 22nd, was to create an internship program through the Economic Development Alliance with focus on diversifying the economy and preparing more of our workforce for growth opportunities in innovative high tech, clean energy, resource sustainability, and agriculture jobs for companies with less than 50 employees, targeting junior and seniors in college and those seeking full and part time employment. The initiative was envisioned to create 2,000 to 3,000 jobs through existing employers and provide CTE training through the UH CC system and job placement through “facilitating organizations,” who are experts in the fields.
 - Through consultation with the AG’s office and B&F, program participants and expenses, as originally envisioned, had to be revised to ensure proper use of the funds under the CARES Act and operational success of the initiative. Additionally, the reduction in budget to \$10M meant scaling down targets, expected results, and potential partners.
 - DBEDT is currently negotiating with two qualified non-profits (contractors) to implement and administer a program on a statewide basis to train, provide certification, and place individuals in Hawaii’s workforce with Hawaii companies that provide workers with an opportunity to transition their careers, and to provide companies with additional resources to recover. The contractors will

connect and match a target of 500 displaced workers for full-time employment with potential employers in non-tourism emerging industries. These targeted industries are (but not limited to):

- Clean energy
 - Local food production and manufacturing
 - Natural resource management
 - Waste reduction services
 - Smart sustainable communities
 - Technology, cyber security
 - STEM fields
 - Healthcare industries
 - Creative industries
 - Aquaculture
 - Aerospace
 - Manufacturing
 - Agriculture and ag tech
- The contracts are expected to be executed within the next two weeks with the program to launch on September 14th. The program is expected to expend all of its \$10M through December.
- **\$15M – support emerging industries to create a local supply chain of cleaning supplies and PPE, including the names of grant recipients, description on their innovative business, amount of grant, and expected results with timeline.**
 - Of the \$15M appropriated to DBEDT in SB126, \$10M was released in Act 9. The goal of this program is to increase the local capacity for producing cleaning supplies and PPE for the safety of the public in the event that the import supply chain is disrupted due to global escalation of COVID-19 cases.
 - Eligible companies will receive \$500,000 in grant awards to pivot and/or scale up PPE manufacturing operations.
 - Eligible PPE/cleaning suppliers are:
 - Caps, gowns, coveralls
 - Gloves
 - Surgical masks, respirators, fabric masks
 - Face shields
 - Hand sanitizer
 - Cleaning and sanitizing products
 - All of the information, guidelines, info session recording, and the application for the PPE supply chain grant program can be found at: www.htdc.org/innovation-grant-ppe-supply-chain

- The applications received will provide the projections on job and revenue. We will be able to provide a list of company names and funds rewarded on October 15th reporting period.
- The application was opened on August 24th. The grants will be awarded in 3 batches:

	August			September			October			November			December		
Prep Grant Application															
Grant Info Session Workshop															
Open Application Period															
Process Review Application															
Committee Review Meetings															
Award Letters															
State Procurement process															
Mail Checks															

- Virtual info sessions offer one-on-one conversations with potential manufacturers
 - Two sessions on August 24th have reached over 50 manufacturers statewide
 - Additional sessions to be held on August 28th and September 2nd
- Contracted buyers of PPE
 - HiEMA, DOE, DOD, DOH, and SPO
- Marketing Partners
 - Statewide SBDC's, Chamber of Commerce Hawaii, University of Hawaii
- Grant Review Committee Members
 - DBEDT, HiEMA, HTDC
- Contracts
 - Bishop & Company awarded through HiEPRO for temporary staffing to assist with processing applications
 - Solicitations for marketing assistance through HiEPRO and an auditor through SPP professional services list are in process
- **\$3M – support the commercial fishing industry**
 - Of the \$3M appropriated to DBEDT in SB126, \$3M was released in Act 9. The purpose of the initiative is to keep as many fishing vessel operators and their employees in business through the rest of the year. Three separate grants are being negotiated to develop, implement, and administer:
 - Financial assistance grant program for longline fishing operators
 - Budget of \$2M

- Support Hawaii longline vessels to offset operating costs during the COVID-19 pandemic to ensure continued fish supply in supporting local food security
- Develop Hawaii seafood promotion program to increase local consumption and improve market value for Hawaii produced seafood
- Marketing campaign to support the Hawaii fishing industry
 - Budget of \$400,000
 - As a direct result of the COVID-19 pandemic, restaurants in Hawaii and the mainland US have been closed or have experienced precipitous drops in business. This in turn has decimated the fishing industry as demand for Hawaii-produced fish has plummeted and prices have dropped below the cost of production. Until the restaurant market recovers, Hawaii fishermen and related seafood businesses desperately need to increase sales of their fresh fish to Hawaii residents through grocery stores and other retail outlets. This is especially true for the variety of non-tuna species such as blue marlin, striped marlin, ono etc. caught along with bigeye and yellowfin tuna.

COVID pandemic has created extraordinary uncertainty in fishing effort, fish production, landed fish prices, and incentives for fishermen to keep fishing. This has happened as restaurant demand dropped to a small fraction of the pre-COVID period. This is why an effort is being made to help offset the cost of production for Hawaii longline fishers to keep fishing and supplying fresh fish to Hawaii to maintain this important animal protein component of local food production, self-sufficiency and food security. To complement the effort to support the primary producers (fishing vessels), a marketing campaign is needed to try to stimulate consumer demand at retail and restaurants.

COVID pandemic has severely curtailed restaurant demand resulting in market conditions that cannot support Hawaii's fresh fish industry focused on high quality, fresh tuna and other species. Restaurant demand will not return until the COVID pandemic is better controlled and the

public feels safe about eating in restaurants again. This is an unprecedented industry crisis and the near-term (up to December 31, 2020) survivability of fishermen, the Honolulu Fish Auction, seafood wholesale/processors, the restaurants and retailers is at great risk of business failure. Immediate action is required to attempt to help preserve the businesses, the relationships and jobs that make up this primary Hawaii food system through a marketing and promotion campaign to deal with the immediate impacts of the COVID pandemic.

- Strategically target wholesale seafood distributors, retail markets and restaurants for increased sales during the next 4 months.
 - Convince residents to buy Hawaii longline-caught seafood.
 - Highlight the importance of the fishing industry to Hawaii in terms of food self-sufficiency, food security and economic diversification during the slowdown due to COVID.
 - Build consumer awareness of plastic fish tags that will identify Hawaii-caught fish in retail stores
 - Position local fish as a healthy, sustainable source of seafood that is simple to prepare at home
- Financial assistance program for non-longline fishing vessel operators
 - Budget of \$450,000
 - Assist Hawaii troll and bottomfish vessel trip subsidy

100 troll vessel fishing trips per week x \$125 = \$17,500
17,500 x 4 weeks = \$70,000/month
\$70,000 x 5 months = \$350,000

25 bottomfish vessels trips per week x \$100 = 2,500 per week
\$2,500 x 4 weeks = \$10,000/month
\$10,000 x 5 months = \$50,000

Administrative costs: \$50,000

The Honorable Donovan M. Dela Cruz
Economic Recovery: Status of Act 9 Programs, CARES Act Funds Appropriation
August 31, 2020
Page 6

Should you have further questions, please contact me at (808) 586-2355 or via email at chung.i.chang@hawaii.gov.

c: The Honorable Jarrett Keohokalole
The Honorable Michelle N. Kidani
The Honorable Donna Mercado Kim
The Honorable Sharon Moriwaki
The Honorable Kurt Fevella
The Honorable Ronald Kouchi
Mike McCartney, DBEDT
Kym Sparlin, Office of the Governor
Clare Conners, Attorney General