

Monday, May 11, 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 Eighth Meeting,

Held on Monday, May 11, 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 eighth meeting, the Committee gave an update on the State's budget shortfall, the economic outlook, a procedural framework

to gradually reopen the economy, public health and safety safeguards to reopening the economy, challenges with the provision of childcare, and steps to developing a Housing Subcommittee from among the Committee's existing members.

I. State Budget Shortfall

The State is anticipating a \$1 billion shortfall. To address the shortfall the Legislature has reconvened into session to pass a Supplemental State Budget bill, provide some stability to state finances, pass measures to address budget shortfalls in combination with savings and unspent state funds, and authorize the Governor to borrow funds. The Legislature will also be working on managing the \$1.25 billion in federal funds received through the Coronavirus Aid, Relief, and Economic Security (CARES) Act, of which \$555 million will be deposited into the Emergency and Budget Reserve Fund (Rainy Day Fund). Other legislative proposals under consideration include:

- \$174 million for the counties of Hawaii (\$80 million), Kauai (\$28 million), and Maui (\$66 million). These counties did not receive CARES Act funding because they have a population under 500,000;
- \$20 million for the Department of Transportation (DOT) for thermal screening at airports;
- \$10 million for the Governor's Hawaii Economic & Community Navigator Program;
- \$1.36 million for information technology upgrades for the Department of Labor and Industrial Relations to carry out the Pandemic Unemployment Assistance Program; and

- \$100 million for the Department of Defense for efforts through the Hawaii Emergency Management Agency.

II. Updates

A. UHERO Update

Carl Bonham, Executive Director and Professor of Economics, University of Hawaii Economic Research Organization (UHERO), gave an update on the State's economic outlook, business projections, and next steps. Data was received on March visitor arrivals, April tax collections, and initial unemployment claims, which is relatively consistent with the assumptions in the UHERO blog that was released on May 4, 2020. Attention is now turning to recovery and policy measures that could mitigate the negative economic impacts of COVID-19.

UHERO's blog post, "Saving the Class of 2020 From the COVID-19 Economic Crisis," suggests a two-year "last dollar" tuition assistance program at University of Hawaii campuses for qualifying high school students and recently graduated bachelor students pursuing a higher degree. Assistance focuses on high school graduates who will graduate this Spring and face little prospect of finding a job and the financial difficulties of going to school. Addressing this crisis can make an enormous difference in their long-term productivity and earnings and to the State economy.

The scenarios released last week, based on the gradual reopening of the local and tourism economy, still imply a State unemployment rate well into the double digits by the end of the year. This extended period of economic hardship can potentially lead to a host of health and social costs to the State. It is imperative that a unified

state-county plan be finalized and operationalized for reopening the state economy to begin addressing the health and social costs of Hawaii residents.

B. Reopening of Hawaii's Economy

Major General Kenneth Hara gave an update on the public health framework to incrementally reopen Hawaii. A meeting was held last Saturday with senior leaders on the framework. While they are close to a framework, there is no resolution on identifying the environmental factors on how to make decisions from one threat level to the next or on decision criteria for making a threat level more stringent. General Hara noted that at some point we will have to accept the risk that people will become infected, with consideration given to Hawaii's health care capacity. One concern is that Hawaii will relax too soon and then close a second time without giving the economy a chance to recover. Another concern is that if reopening takes too long, there could be civil disobedience or civil unrest.

UHERO asked how to help escalate the pace of decisions, noting that the risks of delay will be much greater on the long-term impacts on the community if a detailed plan with phases of escalation and timelines is not forthcoming.

It was suggested that the Committee send a letter to the Governor and the Department of Health (DOH) on the urgency of moving forward with a decision on reopening the economy. Representative Della Au Belatti requested getting clarity on the one sticking point from the Saturday meeting. Speaker Saiki clarified that the dispute is over the metrics that indicate when the State can begin to reopen certain

parts of the economy. Co-chair Peter Ho added that if they do not demonstrate leadership, the outcome is reduced economic output.

If Hawaii is to experience a second wave of COVID-19, a slow reopening of the local economy will be informative in understanding how the virus spreads, where clusters will emerge, and how well the health system can control and manage the clusters. It was noted that a website similar to Utah's pandemic website could prove to be useful to Hawaii in providing transparent and accurate information, as well as clear guidance to the public.

Speaker Saiki recommended that if there is no agreement today on the framework and metrics of reopening the economy, the Committee should convene an emergency meeting via videoconference with the Governor to explain the urgency and need for him to decide and provide direction.

In discussing the various risk levels of the Hawaii COVID-19 Community-Based Risk Model, Major General Hara raised the following unresolved issues and factors that should be measured when reopening the economy:

- How much testing are we going to do?
- How rapidly are we going to do contact tracing?
- How quickly is this infection spreading?
- Are clusters forming?
- How widespread is the community transmission?

Furthermore, surge capacity for hospital beds, intensive care units, and ventilators currently exists. Those metrics will need to be constantly monitored and analyzed as the economy reopens. However,

developing a certain tolerance level of the disease within the community may become essential in balancing the risks and rewards of gradually reopening the economy. If the State sits idle with moving the economy forward until there is no chance of COVID-19 transmission within the State, then the collateral impact to the economy will be potentially devastating.

Committee members expressed other comments and concerns:

- **Healthcare coverage and costs.** Healthcare coverage for laid off employees will end at some point so there is a need to look at the potential impact of healthcare costs.

Representative Della Au Belatti will follow up with the Department of Human Services (DHS) and Med-QUEST on whether they are prepared to handle an influx of Medicaid applications. DHS and Med-QUEST should have a report for the Committee next week.

- **Strong public health message.** A strong public health message is critical to mitigating risks. It is not only about what policymakers and other leaders do, but what the public does. Everyone must adhere to guidelines and best practices, including social distancing, hygiene, sanitation, disinfecting, wearing masks, and staying home when sick. If guidelines are followed, the risks go down exponentially. Strong community messaging can be done right now on social distancing to help the community better understand the reasons behind those guidelines and be more accepting of the plan.

Once the Governor establishes a framework and sets in motion a

plan to reopen the State, it will be important for those agencies charged with implementing the plan and others in the community to really understand the policies and purposes of the plan.

- **Retailers.** Related to health and hygiene, Retail Merchants of Hawaii noted concerns about the liability of retailers if mandates call on retailers to check on customers who do not comply with guidelines and best practices of social distancing and hygiene while patronizing a store.
- **Testing.**
 - A manageable level of statewide testing capacity is approximately 3,000 tests per day. Therefore, any testing for arriving travelers should be based on a graduated risk basis because there is not a rapid test that is reliable and scalable to the usual number of travelers entering the State.
 - Representative Belatti clarified that Utah has implemented a community surveillance testing program and that it is important to continue to support DOH's efforts to develop a community surveillance testing program.
 - In 2005, the DOH implemented a voluntary screening program at the airport to test incoming international passengers from certain countries. An assessment of those procedures and experiences should be done to examine what worked well and could be utilized for testing under the current pandemic.

- **Quarantine.**

- The Lieutenant Governor suggested the continuation of quarantine; provided people can leave quarantine if certain criteria are met.
- The Attorney General has stated that the State cannot require people to be tested as a precondition to travelling to Hawaii. However, once travelers arrive in Hawaii, the State can subject them to a mandatory quarantine unless the traveler gets tested and the test result is negative.

- **Enforcement.** There was concern raised about the lack of adherence to quarantine and other orders by visitors and residents. Speaker Saiki indicated there will be a teleconference with the Attorney General to reach out to the counties on increasing enforcement.

C. Child Care

Childcare is a peripheral but no less important facet to reopening the State. Even prior to COVID-19, childcare was inadequate in the State. The collateral impacts of COVID-19 have further limited the availability of childcare due to public health and safety concerns.

There are several short- and long-term challenges that need to be considered and resolved before childcare can be provided by various agencies. Some of those challenges include the health and safety of children being in close proximity to each other and the workers as well. Social distancing between children can be a challenge if they

do not understand the importance of physical separation from their peers. Other challenges include the financial aspect of paying for childcare. Currently about 30 percent of childcare providers are open and operating, but those providers are only serving the children of essential workers. Some providers have been operating for free, but that model cannot be sustained. The Hawaii Resilience Fund and other philanthropic funding have been helpful, but there are limits to those sources of funding. Lisa Maruyama, President and CEO of Hawaii Alliance of Nonprofit Organizations, indicated that DHS will have guidance for childcare providers soon and requested that an additional update be provided to the Committee next week.

Nationally, there is concern that over one-third of childcare providers will file for bankruptcy or shut down in the near future. To alleviate that concern locally, an additional \$11.9 million in CARES Act funding has come to Hawaii for childcare block grants.

Kerrie Urosevich, Early Childhood Action Strategy, provided a written report to the Committee on the long- and short-term recommendations on the levels of collaboration required to sustain the childcare industry. Recommendations include setting up a real time data collecting and reporting process; identifying family need; ensuring that CARES Act funding is disbursed as quickly and efficiently as possible; maximizing Preschool Open Doors and Child Care Connection subsidies; adjusting funding mechanisms to fund businesses; and providing incentives to recruit and retain qualified staff. Other recommendations include encouraging businesses and families to use paid sick leave and family leave and, at the state

level, establishing a paid family leave program and a special fund to maximize federal, state, and private funding, similar to the state of Vermont.

Speaker Saiki requested Representative Belatti to work with Representative Linda Ichiyama to follow-up on the recommendations.

D. Housing

James Koshiha is forming a housing subcommittee and working on an initial set of goals, as well as a list of prospective subcommittee members. That information will be shared this week.

III. NEXT MEETING

The Committee will reconvene on Monday, May 18, 2020, at 10:00 a.m. via videoconference.

IV. ADJOURNMENT

The Committee adjourned at 11:01 a.m.