

Trump's Lost Wage Assistance Program No Substitute for Federal Unemployment Benefits

By Andrew Stettner and Michele Evermore

*On Saturday August 8—one day after his self-imposed deadline to negotiate a new pandemic relief bill with Congress—President Trump announced **an executive action** that he claimed would temporarily replace \$600-per-week Federal Pandemic Unemployment Compensation (FPUC) benefit with a \$400 week payment diverted from existing FEMA funds. But a week after this announcement, it is clear that this new program, called Lost Wages Assistance (LWA), is no substitute for the congressionally mandated FPUC.*

While the LWA benefit was originally touted as being \$400 per week, it is more likely to be **capped at \$300 per person, and these payments cannot exceed \$44 billion nationally**. Cutting federal unemployment benefits essentially in half like this during this recession would have a devastating impact on jobless workers and their families—by our calculations, reducing the value of their weekly unemployment benefits from \$908 per person to \$608 per person (33 percent) on average, nationwide. While the Presidential Memorandum has given some political cover for the Trump administration and congressional Republicans to walk away from negotiations, the consequence will be mounting losses to workers and the economy before Washington returns to lawmaking after Labor Day. Moreover, that cover won't last long: if all workers who are potentially eligible for a federal benefit were able to collect LWA payments, the \$44 billion in FEMA funds would still only provide six weeks of aid to all those eligible, which is not even enough to get to the end of September.

Sadly, a more robust option to the LWA benefit has already been proposed, but has not been passed by the Senate. According to our estimates (detailed below), the House-enacted HEROES Act would have delivered \$130 billion in aid to families by September 30, which is \$86 billion more than the maximum allocated by the president (\$44 billion).

Moreover, the LWA has serious problems beyond its inadequate benefit. There are still more questions than answers on the mechanics of delivering LWA payments to eligible families, creating long delays, and thus the promised aid is unlikely to effectively fill the gap created by the failure to legislate an extension. State officials are saying it could take weeks or months to deliver the payments, which must be processed and financed separately from other unemployment benefits programs. Furthermore, states will be required to exclude those who

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qualify for less than **\$100 per week in underlying unemployment benefits**, a decision that not only excludes low-income workers with the most financial need, but is also sure to slow processing.

Rollout of the LWA benefit is expected to be unsteady across states, **with at least one state already refusing to provide this benefit**. This unevenness will worsen the already tremendously unequal benefits across state lines for unemployment insurance (UI), which has implications for racial equity. Indeed, as **The Century Foundation** and **NELP** have pointed out, benefit sufficiency is already the worst in states that have the highest populations of Black workers. **According to the CBO**, 47 percent of workers who received an FPUC payment in July were workers of color. Any scaleback of this benefit, especially if it is administered unequally across states, runs a real risk of worsening structural racism in the United States.

Trump's Lost Wages Assistance benefit falls well short of meeting the needs of unemployed workers in the midst of an ongoing pandemic and signals a complete breakdown of the social contract—making the deliberate choice to abandon people during the worst economic and public health crisis in modern history.

How the Lost Wages Assistance Benefit Is Supposed to Work

The Trump Administration established the program of Lost Wages Assistance by tapping into FEMA's Disaster Relief Fund. The wisdom of depleting this reservoir of funds at this moment is questionable, as hurricane season is **about to switch into high gear**, further complicating the benefit's financial picture. The basics of the program are as follows:

Total LWA benefit payments are capped at \$44 billion nationally—an amount that would be reduced further if **FEMA needs these funds for their intended purpose** of natural disaster relief.

Recipients of state and federal unemployment benefits can be eligible for LWA, but those with underlying benefits of **less than \$100 per week are not eligible**.

The federal portion of the benefits is **\$300 per week**, a painful cut from the now-expired \$600 FPUC benefit that was helping to support workers, their families, and the national economy.

The Disaster Relief Fund requires a 25 percent match from the states, which would, as initially described, cost each state **an additional \$100 per week** per unemployed worker. However, **subsequent guidance** indicates that states are allowed to meet the match with that state's underlying spending on unemployment benefits.

LWA is a **grant-funded program—by FEMA to the states**—not a federal entitlement administered by the states. As such, it will need to be administered separately from other unemployment programs, and **states will not be allowed to use any congressionally appropriated administrative grants for UI benefits to administer the payment of LWA benefits**.

Once an agreement is reached with the states, FEMA will allocate three weeks of payments to each state, and after that, **will reconsider allocations on a week-by-week basis**.

Implementation Questions Threaten to Make LWA an Ineffective Stopgap

The Lost Wages Assistance program is a massive undertaking, put together without a full appreciation of the difficulties in providing a nationwide benefit of this scale and timeline, raising questions about whether it can achieve its stated goals.

Will states be able to foot the bill and take advantage of the LWA grant?

The U.S. Department of Labor (DOL) **issued guidance** to potentially ease the burden on states, which will in turn result in smaller benefit payments for the unemployed—these workers in actuality will receive only the federal \$300 portion of LWA, with already existing state spending on unemployment benefits after August 1 serving as match. There is a chance that states may not be able to meet match requirements if their underlying UI benefits are too low. Therefore, they would be required to come up with alternate funds to meet their 25 percent match commitment, which **cost states billions of dollars** and would represent an untenable solution.

Moreover, the DOL **has declared that** “federal grants for administration of state UC law may not be used to pay for any part of the costs of administration of LWA.” States cannot use any existing unemployment funds or regular state staff for the program, so will have to use a meager 5 percent of grant funds to set up a new benefit that will only pay out checks for a few weeks. The proposal elicited **strong initial pushback** from both Republican and Democratic governors, with the bipartisan National Governors’ Association declaring that “we are concerned about the significant administrative burdens and costs this latest action would place on the states.” By all counts, states have been slow to sign up for the new program—as of August 16, one tracker indicated that **only eleven states** had signed up to pay out the aid.

When will workers get payments?

After the president issued the Presidential Memorandum, workers began asking if they could immediately file for the \$400 per week. Because the administration chose to go around Congress in creating the Lost Wages Assistance program, it must be run separately from state unemployment benefits programs. Among other administrative challenges, DOL **has indicated that** “if any state staff or other assets (e.g., information technology, office space, utilities) are normally paid for with UC administrative funding, then cost sharing agreements must be in place.” Moreover, states will have to figure out how to cull those who are receiving less than \$100 in underlying benefits and ensure only those that are unemployed

each week receive LWA payments. They would also have to add questions to claims processes to accommodate the requirement that workers must self-attest that their new claim or continued claim is “due to disruptions caused by COVID-19.” As Bill McCamley, secretary of the New Mexico Department of Workforce Solutions, described to the New York Times, “Even in our system, which is very modern in the unemployment world, it’s still going to take us time to do it right.” Even states that have opted into the program, such as Louisiana, are unsure as to when people could reasonably expect to see the benefits. States have until September 10 to apply for funding from FEMA, and given all of the questions involved in the program, it is unlikely for workers to get payments in August, and many will likely have to wait until the end of September. FEMA claims that workers in the states opting in now will get payments within three weeks (August 29), but that is an optimistic estimate.

Will legal questions foil the implementation of the program?

The administration is doing an end-run around the legal 25 percent matching requirement, allowing states to count regular unemployment insurance payments as a match. The Stafford Disaster Relief and Emergency Assistance Act, which exists to assist states hit by natural disasters, already provides for disaster unemployment assistance—but these payments are only for those who do not qualify for other unemployment payments (not on top of UI). As Georgetown Law professor David Super argues, this forced the president to rely on specially governed “other needs” payments which, unique within the Stafford Act, require a 25 percent match. The match must be “paid from funds made available by the state.” The regular unemployment benefits that FEMA and DOL are allowing states to count as a match are not even part of the Lost Wage Assistance program. Counting them as a match is a risky step that will likely trigger future investigation by oversight agencies, and carries a risk that states would have to pay an amount equal to the total of these benefits back to the federal government at some point.

What will happen when funds run out, or are needed for their original purpose?

"If any natural disasters, such as the “derecho” storms in Iowa, require FEMA relief, the total amount available for LWA will be reduced." To fund LWA payments, the administration is tapping into \$44 billion of the Disaster Relief Fund, an amount that will only be enough to extend additional benefits to early September. Delivering the \$300 per week to the approximately 24 million Americans eligible will cost more than \$7 billion a week, depleting the \$44 billion in just six weeks. However, the Disaster Relief Fund only has \$68 billion in it in total right now, and the Executive Memorandum and subsequent guidance indicates that LWA will be cut off if the unobligated balance falls below \$25 billion. That means that if any natural disasters, such as the “derecho” storms in Iowa, require FEMA relief, the total amount available for LWA will be reduced. It’s not surprising that FEMA has decided only to release the first three weeks of LWA payments to states given the near certainty that the money in the Disaster Relief Fund will be needed for its original purpose.

LWA Is Insufficient, and Will Exclude Crucial Groups of Workers

The first problem is that \$44 billion allocated is based on funds available, not the needs of workers. As described in Table 1, an estimated 24 million workers lost the \$600-per-week Federal Pandemic Unemployment Compensation on August 1.¹ The House enacted HEROES Act would have continued the \$600-per-week FPUC payments through January 31, 2021. By failing to take up the HEROES Act, the White House and Senate have cost jobless families \$130 billion in FPUC payments between August 1 and September 30. While FEMA has not published a table with state-by-state allocations, they have indicated that it would be **distributed based on need**; Table 1 provides a simple state-by-state estimate of each state's share of Lost Wage Assistance.²

The bottom line is that Lost Wage Assistance pales in comparison to the House HEROES Act. Three weeks of a \$300 benefit in no way replaces six months at \$600. Overall, using LWA to replace FPUC, workers and local economies would lose out on \$86 billion in assistance between August 1 and September 30. The losses would be greatest in California (\$14.8 billion), New York (\$9.4 billion), Pennsylvania (\$5.6 billion), Texas (\$4.9 billion), Michigan (\$4.5 billion), Massachusetts (\$3.1 billion), New Jersey and Florida (both \$3.0 billion), Georgia (\$2.9 billion) and Illinois (\$2.6 billion). Smaller, tourism-dependent states such as Nevada and Hawaii—with some of the highest unemployment rates in the nation—would also face major losses.

Table 1. Economic Impact of Replacing FPUC with LWA, by State
Impact through September 30 (\$ millions)

	Total Number of Workers Who Lost FPUC Benefits	Total State Benefit Amount Proposed by HEROES Act	Total State Benefit Amount from Lost Wage Assistance (Presidential Executive Action)	Aid Lost (Difference between HEROES and LWA)
Alabama	168,344	\$909.1	\$306.7	\$602.4
Alaska	50,867	\$274.7	\$92.7	\$182.0
Arizona	506,937	\$2,737.5	\$923.4	\$1,814.0
Arkansas	183,035	\$988.4	\$333.4	\$655.0
California	4,158,206	\$22,454.3	\$7,574.6	\$14,879.7
Colorado	260,104	\$1,404.6	\$473.8	\$930.8
Connecticut	272,894	\$1,473.6	\$497.1	\$976.5
Delaware	47,034	\$254.0	\$85.7	\$168.3
District of Columbia	77,060	\$416.1	\$140.4	\$275.8
Florida	828,423	\$4,473.5	\$1,509.1	\$2,964.4

Georgia	811,013	\$4,379.5	\$1,477.3	\$2,902.1
Hawaii	195,765	\$1,057.1	\$356.6	\$700.5
Idaho	38,374	\$207.2	\$69.9	\$137.3
Illinois	728,944	\$3,936.3	\$1,327.8	\$2,608.4
Indiana	314,714	\$1,699.5	\$573.3	\$1,126.2
Iowa	110,562	\$597.0	\$201.4	\$395.6
Kansas	171,836	\$927.9	\$313.0	\$614.9
Kentucky	146,789	\$792.7	\$267.4	\$525.3
Louisiana	416,588	\$2,249.6	\$758.9	\$1,490.7
Maine	74,071	\$400.0	\$134.9	\$265.1
Maryland	414,807	\$2,240.0	\$755.6	\$1,484.3
Massachusetts	863,227	\$4,661.4	\$1,572.5	\$3,089.0
Michigan	1,249,238	\$6,745.9	\$2,275.6	\$4,470.3
Minnesota	320,175	\$1,728.9	\$583.2	\$1,145.7
Mississippi	179,532	\$969.5	\$327.0	\$642.4
Missouri	200,445	\$1,082.4	\$365.1	\$717.3
Montana	69,321	\$374.3	\$126.3	\$248.1
Nebraska	58,363	\$315.2	\$106.3	\$208.8
Nevada	443,308	\$2,393.9	\$807.5	\$1,586.3
New Hampshire	67,796	\$366.1	\$123.5	\$242.6
New Jersey	836,916	\$4,519.3	\$1,524.5	\$2,994.8
New Mexico	164,894	\$890.4	\$300.4	\$590.1
New York	2,625,415	\$14,177.2	\$4,782.5	\$9,394.8
North Carolina	593,480	\$3,204.8	\$1,081.1	\$2,123.7
North Dakota	29,676	\$160.2	\$54.1	\$106.2
Ohio	637,767	\$3,443.9	\$1,161.8	\$2,282.2
Oklahoma	107,506	\$580.5	\$195.8	\$384.7
Oregon	273,122	\$1,474.9	\$497.5	\$977.3
Pennsylvania	1,556,673	\$8,406.0	\$2,835.6	\$5,570.4
Puerto Rico	395,914	\$2,137.9	\$721.2	\$1,416.7
Rhode Island	112,222	\$606.0	\$204.4	\$401.6
South Carolina	238,640	\$1,288.7	\$434.7	\$853.9

South Dakota	17,200	\$92.9	\$31.3	\$61.5
Tennessee	341,964	\$1,846.6	\$622.9	\$1,223.7
Texas	1,366,026	\$7,376.5	\$2,488.4	\$4,888.2
Utah	65,916	\$355.9	\$120.1	\$235.9
Vermont	39,682	\$214.3	\$72.3	\$142.0
Virgin Islands	4,646	\$25.1	\$8.5	\$16.6
Virginia	511,460	\$2,761.9	\$931.7	\$1,830.2
Washington	476,017	\$2,570.5	\$867.1	\$1,703.4
West Virginia	57,469	\$310.3	\$104.7	\$205.6
Wisconsin	254,340	\$1,373.4	\$463.3	\$910.1
Wyoming	19,789	\$106.9	\$36.0	\$70.8
Total	24,154,508	\$130,434.3	\$44,000.0	\$86,434.3

The \$600-per-week FPUC benefit provided through the CARES Act made up for the major deficiencies in state unemployment benefits, that on average replaced only 45 percent of prior wages nationally and replaced **as little as 29 percent of wages in states** with the lowest benefits, such as Louisiana. As illustrated in Table 2, LWA falls well short of that effort, at a time when workers are still facing the extreme employment difficulties caused by the pandemic. With FPUC in place, the average weekly unemployment was increased from \$308 per week to \$908 per week, but with the LWA in place, this total benefit has been cut by average of 33 percent to just \$608 per week. The total benefit cut between FPUC and LWA is as high as 38 percent in Louisiana, where average state benefits are running at just \$182 per worker in June 2020. As The Century Foundation’s previous research has pointed out before, **Black workers** are most vulnerable to these large cuts in benefits, as they are concentrated in states in the South that have set their underlying UI benefit levels at amounts that are unable to sustain a family. Latinx and Indigenous workers also face low benefit levels, based on their geography and underlying low wage.

Moreover, those who are collecting less than \$100 per week in benefits are not eligible for LWA, which is a major contrast with PUC. As it turns out, **the minimum benefit amount for Pandemic Unemployment Assistance is at least \$100 in all UI jurisdictions except for Puerto Rico**—meaning those on PUA would be eligible for LWA. However, in all but nine states (Arizona, Kansas, Montana, New Jersey, New York, Ohio, Oklahoma and Washington), the minimum regular unemployment benefit is less than \$100 per week, and so across the nation, there will be many workers who are disqualified from LWA simply because their wages and state UI benefits were not generous enough. (See Table 2.) Some examples of the kind of workers that could rely on these low benefits include:

Workers like **Jillian**, in the entertainment industry, who combine freelance jobs and regular wage and salary jobs. Under CARES Act rules, these workers can only collect unemployment based on wages earned through their W2 jobs, even if they would have qualified for much

more in Pandemic Unemployment Assistance. Based on the exclusions in LWA, Jillian will now have to survive on just \$97 in California state unemployment benefits. Any full-time, minimum-wage worker in a state like Kentucky, hired on July 1, 2019 and laid off due to the pandemic in March 2020. This worker under the rules of the Kentucky UI system would only qualify for \$79 per week in unemployment benefits; this full-time worker who lost a job would not qualify for Lost Wages Assistance.

University of Illinois economist Eliza Forsythe finds that at least 6 percent who lost jobs due to the pandemic qualify for benefits as low as \$100 per week. These low-wage, gig, and part-time workers face consistently precarious incomes and are at major risks of experiencing personal and economic hardship without access to additional aid.

Table 2. WORKERS’ BENEFIT LOSS IN SWITCH FROM FPUC TO LWA, BY STATE
Source: U.S. Department of Labor.

	Per Week State UI Benefit	Per-Week Benefit with FPUC (Regular Benefits + \$600)	Per-Week Benefit with LWA (State Benefit + \$300)	Percentage loss in benefits	State Minimum Regular UI Benefit
Alabama	\$245.53	\$845.53	\$545.53	35.48%	\$45
Alaska	\$244.90	\$844.90	\$544.90	35.51%	\$56
Arizona	\$280.18	\$880.18	\$580.18	34.08%	\$187
Arkansas	\$213.88	\$813.88	\$513.88	36.86%	\$81
California	\$286.86	\$886.86	\$586.86	33.83%	\$40
Colorado	\$365.59	\$965.59	\$665.59	31.07%	\$25
Connecticut	\$298.29	\$898.29	\$598.29	33.40%	\$15
Delaware	\$247.12	\$847.12	\$547.12	35.41%	\$20
District of Columbia	\$353.01	\$953.01	\$653.01	31.48%	\$50
Florida	\$233.45	\$833.45	\$533.45	35.99%	\$32
Georgia	\$263.30	\$863.30	\$563.30	34.75%	\$55
Hawaii	\$456.19	\$1,056.19	\$756.19	28.40%	\$5
Idaho	\$286.26	\$886.26	\$586.26	33.85%	\$72
Illinois	\$319.86	\$919.86	\$619.86	32.61%	\$51
Indiana	\$240.67	\$840.67	\$540.67	35.69%	\$37
Iowa	\$315.08	\$915.08	\$615.08	32.78%	\$72
Kansas	\$337.27	\$937.27	\$637.27	32.01%	\$122
Kentucky	\$296.29	\$896.29	\$596.29	33.47%	\$39
Louisiana	\$182.81	\$782.81	\$482.81	38.32%	\$10
Maine	\$303.85	\$903.85	\$603.85	33.19%	\$77

Maryland	\$310.95	\$910.95	\$610.95	32.93%	\$50
Massachusetts	\$425.55	\$1,025.55	\$725.55	29.25%	\$98
Michigan	\$307.01	\$907.01	\$607.01	33.08%	\$150
Minnesota	\$373.19	\$973.19	\$673.19	30.83%	\$28
Mississippi	\$187.07	\$787.07	\$487.07	38.12%	\$30
Missouri	\$241.65	\$841.65	\$541.65	35.64%	\$35
Montana	\$331.31	\$931.31	\$631.31	32.21%	\$163
Nebraska	\$279.80	\$879.80	\$579.80	34.10%	\$70
Nevada	\$353.63	\$953.63	\$653.63	31.46%	\$16
New Hampshire	\$239.67	\$839.67	\$539.67	35.73%	\$32
New Jersey	\$405.46	\$1,005.46	\$705.46	29.84%	\$120
New Mexico	\$316.87	\$916.87	\$616.87	32.72%	\$86
New York	\$337.10	\$937.10	\$637.10	32.01%	\$104
North Carolina	\$219.54	\$819.54	\$519.54	36.61%	\$15
North Dakota	\$426.29	\$1,026.29	\$726.29	29.23%	\$43
Ohio	\$327.39	\$927.39	\$627.39	32.35%	\$135
Oklahoma	\$347.47	\$947.47	\$647.47	31.66%	\$16
Oregon	\$361.78	\$961.78	\$661.78	31.19%	\$151
Pennsylvania	\$332.38	\$932.38	\$632.38	32.18%	\$68
Puerto Rico	\$224.14	\$824.14	\$524.14	36.40%	\$33
Rhode Island	\$311.29	\$911.29	\$611.29	32.92%	\$53
South Carolina	\$234.37	\$834.37	\$534.37	35.96%	\$42
South Dakota	\$280.52	\$880.52	\$580.52	34.07%	\$28
Tennessee	\$215.38	\$815.38	\$515.38	36.79%	\$30
Texas	\$353.15	\$953.15	\$653.15	31.47%	\$69
Utah	\$347.80	\$947.80	\$647.80	31.65%	\$32
Vermont	\$334.98	\$934.98	\$634.98	32.09%	\$72
Virgin Islands	\$351.41	\$951.41	\$651.41	31.53%	\$33
Virginia	\$254.63	\$854.63	\$554.63	35.10%	\$60
Washington	\$413.47	\$1,013.47	\$713.47	29.60%	\$188
West Virginia	\$236.70	\$836.70	\$536.70	35.86%	\$24
Wisconsin	\$290.03	\$890.03	\$590.03	33.71%	\$54
Wyoming	\$395.47	\$995.47	\$695.47	30.14%	\$36
Average	\$308.32	\$908.32	\$608.32	33.03%	\$61

Looking Forward

The Lost Wages Assistance program represents a diversion and deliberate policy choice away from the real need to negotiate an extension to Federal Pandemic Unemployment Compensation. Due to administrative complications, LWA won't swiftly reach those who are in need, and even if it does, it represents a major cut in the federal commitment to those who have lost work due to COVID19. With all the problems inherent in LWA, it's incumbent on leaders in Congress to see past the smokescreen of this stopgap maneuver and get back to the real work of economic policy making that centers basic human needs and survival of all workers, ensuring no one is excluded.

Endnotes

- ¹ Our estimates account for those on regular unemployment benefits, pandemic unemployment assistance, and pandemic emergency unemployment compensation, and are discounted to account for those who are claiming but still waiting on benefits.
- ² State-by-state estimates are derived by calculating a proportionate share of Lost Wage Assistance based on the number of workers needing benefits in each state.