



Insight

The State of the Lost Wages Assistance Program

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Executive Summary

- President Trump's executive order signed on August 8 created a Lost Wages Assistance (LWA) program that provided states that applied with \$300 a week of additional unemployment compensation for an expected duration of 6 weeks.
- As with many of the other changes made to the unemployment system, this new program took time to roll out due to outdated systems, and new eligibility requirements could leave some workers without the additional unemployment compensation.
- States that were the earliest beneficiaries of the LWA program have already seen the \$300 payments stop with the last benefit week ending on September 5.

Introduction

On August 8, President Trump signed an executive order creating a Lost Wages Assistance (LWA) program. The program was intended to supplement state-level unemployment benefits by providing unemployed individuals with an additional \$300 a week for a guaranteed 3 weeks. This measure was taken in part due to the expiration of the Coronavirus Aid, Relief, and Economic Security (CARES) Act's Federal Pandemic Unemployment Compensation, which provided unemployed individuals with an additional \$600 a week. Previous American Action Forum (AAF) research explored the different [options](#) and [supplement levels for unemployment](#) and their potential efficacy to maintain a base [standard of living](#). The LWA program was met with skepticism, given that its implementation could be challenging and that it was not expected to be a long-term fix. Since being signed, the executive order has been implemented in the majority of states (with varying degrees of success) and with only one state opting out of the program.

Funding the Lost Wages Assistance Program

Through the LWA program, funds from the Federal Emergency Management Agency (FEMA) were redirected to provide an additional \$300 a week to unemployed individuals for a guaranteed 3 weeks. Following the signing of the executive order, FEMA has said that states that applied and were approved before the September 10 deadline could receive up to [6 weeks of retroactive funding](#). The LWA program is essentially a grant program where states applied for the \$300 supplement and then distributed it through their unemployment offices. States could choose to include an additional \$100 on top of the federal bump, bringing the total weekly supplement to \$400. As written, the federal contribution would use up to \$44 billion from the Department of Homeland Security's Disaster Relief Fund (DRF). Given that this year was projected to have a particularly active hurricane season, there were concerns that drawing from these funds could hamper a federal response to damaging storms. Previous [AAF analysis](#) estimated that the funding from the DRF would last for just over 5 weeks of additional unemployment compensation.

Implementation

With the number of unemployment claims increasing substantially due to the current coronavirus pandemic, state unemployment insurance systems have been struggling. Many of these systems are outdated and unable to deal with anything more than flat-rate benefits, a limitation that continues to be a concern for many states as plans for unemployment supplements continue to evolve but are unable to account for state-by-state, let alone worker-by-worker, variation. As such, some states have struggled to implement LWA payments. This difficulty is apparent in New Mexico, which was one of the first states to apply for LWA but only started paying out the funds in early September. It, like many states, had to undergo reprogramming of its unemployment benefit system in order to provide adequate support to the large number of eligible claims.

An additional challenge with the LWA is a key [eligibility](#) difference that was not present in prior unemployment insurance (UI) supplemental legislation. The LWA supplement is only available to individuals who receive greater than \$100 a week in unemployment benefits. Estimates from the University of Illinois show the potentially ineligible account for [6 percent](#) of workers collecting unemployment, or just over 900,000 people. Prior legislation allowed any individuals who was collecting unemployment compensation to also receive the supplement. This change in eligibility could have some effect on low-wage workers or those who have seen a drop in income due to losing secondary income sources, but it will have no effect on those in Arizona, Kansas, Michigan, Montana, New Jersey, New York, Ohio, Oregon, or Washington. These states pay a minimum UI benefit greater than \$100, meaning all those claiming benefits in those states qualify for LWA.

States and Lost Wages Assistance

On August 15, one week after the executive order was signed, [FEMA announced](#) the first four states to be approved for the \$300 additional weekly benefits: Arizona, Iowa, Louisiana, and New Mexico. Since that announcement, an additional 45 states have applied for the LWA program. South Dakota stands alone as the singular state that [declined](#) to participate. Its decision was based on its perceived economic stability, in terms of business operations, job loss recovery, and its lack of a shutdown. States expected to receive enough funding to support the \$300 per claimant. Montana and Kentucky opted to contribute an additional \$100 a week, bringing their funding to \$400 per resident. While initially the program guaranteed it would provide funding for at least 3 weeks, in many states it has been able to fund 5 or 6 weeks.

Among the first to begin doling out the LWA funds were Arizona, New Hampshire, Tennessee, and Montana in late August, with retroactive application to the week of August 1. These states were informed that their funding would expire on September 5. States such as Nebraska and Nevada, which were later to apply for and implement LWA, can expect their funding to run out in the coming weeks. Nevada was the last state to apply for funding and is also expected to receive and distribute \$300 in weekly federal funds. In total, unemployed individuals in states that made this choice can expect their additional benefits to culminate in, at most, \$1,800 over the maximum 6-week span. Those residents of states that are including the extra weekly \$100 are expected to receive up to \$2,400.

Conclusion

Since its creation on August 8, the LWA program has been providing funding to nearly all states to supplement unemployment compensation. All states (and Washington, DC) that have applied have been approved to receive funding; South Dakota is the only state that has chosen not to request funding. With this program's funding running out in the next few weeks, the focus returns to negotiations for legislation providing supplemental unemployment compensation.