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## FISCAL UPDATE Article

Fiscal Services Division

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### COVID-19 — LOST WAGES ASSISTANCE

**Memorandum.** On August 8, 2020, President Donald Trump issued a [memorandum](#) authorizing Other Needs Assistance under the federal [Stafford Act](#), which governs major disaster and emergency declarations and assistance. The authorization came in response to the July (the week ending July 25, 2020, in Iowa) expiration of the \$600 per week in Federal Pandemic Unemployment Compensation (FPUC). Under the Other Needs Assistance initiative, states may access disaster relief funds administered by the Federal Emergency Management Agency ([FEMA](#)) for \$300 in weekly benefits.

The FEMA has been authorized to use the Stafford Act Disaster Relief Fund (DRF) to provide grants to state and territory governments for supplemental payments for wages lost due to the COVID-19 pandemic. These grants, categorized as Other Needs Assistance, may be used to provide Lost Wages Assistance (LWA).

On August 14, 2020, the FEMA approved Iowa's application to participate in the Lost Wages Assistance Program. The Iowa Department of Workforce Development (IWD) submitted its application to the FEMA on August 13, 2020. Iowans whose unemployment is the result of the pandemic and who are eligible for at least \$100 in Unemployment Insurance (UI) benefits per week will qualify for an additional \$300 in weekly benefits retroactive to the week ending August 1, 2020. The FEMA and the U.S. Department of Labor (DOL) continue to issue guidance, and the IWD will continue developing the implementation process required for this Program. The IWD will update its [website](#) as additional information becomes available.

**Administration.** Each state must set up a separate account outside of the state's Unemployment Trust Fund to receive LWA funding. The LWA Program will use state UI systems to distribute funds as a supplemental payment. The funding to run the Program, including any needed changes to existing UI systems, is provided by the FEMA.

A state's estimated costs for administering LWA is included in the grant award letter. The FEMA grant allows administrative costs to equal up to 5.0% of the total grant amount, with a 25.0% state match requirement.

Only the portion of time spent administering LWA can be charged to the FEMA grant, and none of the time spent administering LWA may be charged to federal UI funding. Cost sharing must be used for any personnel or other costs that are split between administering regular UI programs and LWA. The DOL refers states to the [Training and Employment Guidance Letter \(TEGL\) No. 06-02](#) for additional information on indirect cost rates and cost allocation plans.

State reporting requirements are governed by [2 C.F.R. Part 200](#) (Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards) and [44 C.F.R. 206.120\(f\)\(2\)](#) (State Administration of Other Needs Assistance). Reports must include:

- The number and dollar amount of applications approved weekly.
- The number of individuals eligible to receive assistance in each of the categories of eligible claimants specified.
- The amount of assistance disbursed weekly.
- The number of appeals received.

States also must comply with federal financial reporting requirements and closeout reporting requirements within 90 days after the end of the period of performance.

**State Match.** Governors must agree to a 25.0% cost-sharing requirement and must agree to administer payments in conjunction with the state UI system. State plans must be submitted and approved by the FEMA. Applications need to be submitted by the state agency that will run the Program by September 10, 2020. However, State funds must be used to meet the requirement and LWA is an eligible use of the Coronavirus Relief Fund (CRF). States may not include any state funds expended prior to the start of the Program, the week ending August 1, 2020. If a state meets its \$100 match requirement using the CRF or other state funds, claimants will receive \$400 per week. However, if states use funds that are currently being provided as regular state UI payments toward the state match, eligible claimants will be able to receive the \$300 payment from the federal government.

Most states have said they will not pay the unemployed workers the optional state match of \$100. The states of Montana, West Virginia, and Kentucky have indicated they will provide the \$100 in additional matching funds, providing the total enhanced benefit of \$400. South Dakota has declined to participate in the LWA Program.

**Funding.** Up to \$44.000 billion is currently designated for the Program. The Program will continue until any of the following occurs:

- The \$44.000 billion is expended.
- The DRF balance falls to \$25.000 billion.
- Legislation is enacted by Congress providing supplemental federal unemployment compensation or similar compensation.
- December 27, 2020.

The DRF is also used for assistance related to natural disasters such as hurricanes, tornados, flooding, and wildfires. If any of these costs lead to the DRF reaching the \$25.000 billion threshold, the LWA Program will be terminated. As of July 31, 2020, the balance in the DRF was \$74.400 billion. It is not clear how many weeks of payments the \$44.000 billion will cover. States will be making payments on claims retroactive to August 1, 2020. The initial grant will cover three weeks of benefits followed by weekly grants thereafter.

**Appeals.** If a claimant is denied supplemental benefits, states must use their existing policies and procedures for adjudicating appeals for those denied regular unemployment insurance benefits. States are also responsible for recovering improper LWA benefits.

**Payments.** After receiving a federal grant award, a state will provide eligible claimants a benefit. The federal payment cannot be adjusted from \$300, and states must choose either the \$300 or \$400 option when they apply for funds. States may provide a combined payment or separate payments, but a state must be able to account for LWA separately and must pay the LWA benefit at the same time as the underlying UI benefit. LWA payments are subject to the federal income tax, and states will decide whether to allow such taxes to be withheld. States may not offset payments for child support debts.

**Eligibility.** Individuals must self-certify that they are unemployed, partially unemployed, or unable or unavailable to work due to disruptions caused by COVID-19. Eligible individuals must have received at least \$100 per week from any of the benefits listed below for the week they are seeking benefits, beginning the week ending August 1, 2020. The \$100 eligibility level is determined at an individual's weekly benefit amount. States may not use the CRF or other funds to boost the weekly benefit amount to establish eligibility for individuals who fall below the \$100 threshold.

- Unemployment compensation, including Unemployment Compensation for Federal Employees (UCFE) and Unemployment Compensation for Ex-Servicemembers (UCX).
- Pandemic Emergency Unemployment Compensation (PEUC).
- Pandemic Unemployment Assistance (PUA).
- Extended Benefits.
- Short-Time Compensation.
- Trade Readjustment Allowance.
- Payments under the Self-Employment Assistance Program.

LWA is not payable to individuals collecting Disaster Unemployment Assistance (DUA) and is also not payable to individuals receiving "additional benefits" (AB), which the DOL defines as flowing from state

laws that “include provisions for extending the potential duration of benefits during periods of high unemployment for individuals in approved training who exhaust benefits, or for a variety of other reasons.”

**Timing.** LWA is payable for weeks of unemployment ending on or after August 1, 2020, through weeks of unemployment ending before December 27, 2020, contingent on sufficient balances remaining in the DRF.

**Certification.** States are required to develop a self-certification process that is in accordance with FEMA instructions to certify a claimant’s weekly benefits are accurate and assess the claimant’s unemployment status being as a result of or partially a result of COVID-19. The process must determine whether applicants are fully unemployed or partially unemployed due to disruptions caused by COVID-19. The certification process may be required on a weekly basis.

States must notify all potentially eligible claimants, including those who are currently employed but were not employed for some period after August 1, 2020. Potential claimants must be given the opportunity to self-certify their eligibility. There is no required mechanism for this outreach; however, the DOL directs states to specify the steps an individual must take for self-certification and to urge potential claimants to respond immediately. Individuals who are denied LWA as a result of a state’s self-certification process do not have appeal rights outside of the state’s appeals process. For those receiving Short-Time Assistance, employers may certify eligibility for LWA. However, if the employer is unable to provide such certification, then the employee must be contacted directly to self-certify.

Individuals must certify once per claim, not weekly. Those who have qualified for PUA are presumed to have met the self-certification requirement. For those receiving other unemployment benefits, the state will need to provide a one-time certification as of the LWA start date.

The most recent job separation does not need to be directly related to COVID-19. At the time of self-certification for LWA, the individual must be unemployed or partially unemployed due to disruptions caused by COVID-19.

**Additional Resources.** The following resources have been released by the FEMA and the DOL:

- The FEMA LWA [fact sheet](#) and [Frequently Asked Questions document](#).
- The DOL [Unemployment Insurance Program Letter \(UIPL\) No. 27-20](#) and [UIPL No. 27-20, Change 1](#).

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