



HENRY McMASTER  
GOVERNOR

August 26, 2020

Mr. Daniel Ellzey  
Director  
Department of Employment and Workforce  
1550 Gadsden Street  
Columbia, SC 29202

Dear Director Ellzey,

I would like to thank the Department of Employment and Workforce (DEW) team for conducting a thorough analysis of the federal Lost Wage Assistance (LWA) program authorized by President Trump to provide additional federal assistance to those experiencing job loss due to the COVID-19 pandemic.

As you are aware, the Board of Economic Advisors has issued very cautious revenue projections for the state, and it remains unclear how much new revenue our economy will generate. I have recommended that the General Assembly keep state government operating under last year's spending levels and wait until next year's legislative session to pass a state budget. Any new revenue generated this year should not be spent - rather, it should be carried forward to next year.

We must also remain vigilant that South Carolina taxpayers are not saddled with future financial liabilities in exchange for federal dollars. I am grateful that you and your team were able to identify the liabilities connected with the LWA and recommend a course of action which will provide additional unemployment relief from the federal government while protecting the interests of our state's taxpayers. I have discussed this recommendation with President Peeler, Speaker Lucas, Chairman Leatherman and Chairman Smith and I believe them to be favorably disposed.

On behalf of the State of South Carolina, I ask that DEW and the Emergency Management Division submit - as recommended - the LWA program application to the Federal Emergency Management Agency right away.

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I have faith in the strength and resilience of South Carolinians. I am confident that our state's economic engines will soon return to full speed and we will be stronger and more prosperous than ever.

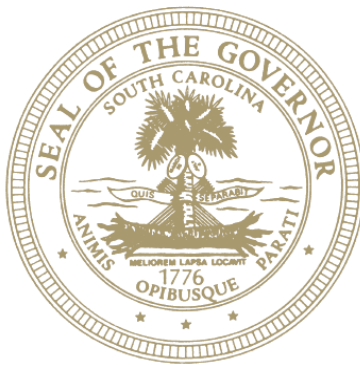
Yours very truly,



Henry McMaster

Attachment

cc: The Honorable Harvey Peeler  
The Honorable Jay Lucas  
The Honorable Hugh Leatherman  
The Honorable Murrell Smith



HENRY McMASTER  
GOVERNOR

August 26, 2020

Ms. Gracia B. Szczech  
Regional Administrator  
Federal Emergency Management Agency, Region IV  
3003 Chamblee Tucker Road  
Atlanta, Georgia 30341

ATTN: Ms. Tarsha Monk  
Individual Assistance Branch Chief

RE: FEMA-4492-DR-SC Alternate Governor's Authorized Representative for Other Needs Assistance – Lost Wages Supplemental Assistance Program

Dear Regional Administrator Szczech,

I hereby authorize Director G. Daniel Ellzey and/or his Chief of Staff, Jamie D. Suber of the South Carolina Department of Employment and Workforce, to serve as my designee for purposes of requesting and administering the FEMA Lost Wages Supplemental Assistance Program. They are empowered by the Governor to execute, on behalf of South Carolina, any necessary documents for such assistance under major disaster FEMA-4492-DR-SC.

Should you have any questions or need anything further in this regard, please do not hesitate to contact me. I appreciate your attention to this very important matter.

Yours very truly,

A handwritten signature in blue ink that reads "Henry McMaster".

Henry McMaster

cc: Mr. Daniel Ellzey  
Mr. Jamie D. Suber

P.O. Box 995  
1550 Gadsden Street  
Columbia, SC 29202  
dew.sc.gov



Henry McMaster  
Governor

G. Daniel Ellzey  
Executive Director

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TO: GOVERNOR HENRY MCMASTER

CC: THE HON. HARVEY PEELER, PRESIDENT OF THE SENATE  
THE HON. JAY LUCAS, SPEAKER OF THE HOUSE  
THE HON. HUGH LEATHERMAN, SENATE FINANCE COMMITTEE  
CHAIRMAN  
THE HON. MURRELL SMITH, HOUSE WAYS AND MEANS  
COMMITTEE CHAIRMAN

FROM: G. DANIEL ELLZEY, SCDEW EXECUTIVE DIRECTOR

SUBJECT: PRESIDENTIAL MEMORANDUM ON AUTHORIZING THE OTHER  
NEEDS ASSISTANCE PROGRAM FOR MAJOR DISASTER  
DECLARATIONS RELATED TO CORONAVIRUS DISEASE 2019

DATE: AUGUST 25, 2020

**Authority:** Citing the Robert T. Stafford Disaster Relief and Emergency Assistance Act, 42 U.S.C. 5121-5207 (the Stafford Act), and Proclamation 9994 of March 13, 2020 (Declaring a National Emergency Concerning COVID-19), the President utilized the emergency powers to allocate \$44 billion (of a total of \$70 billion) in disaster relief funding (DRF) available to Homeland Security to address unemployment insurance (UI) claimants' lost wages.

**Options:** This program is subject to the 75/25 Federal/State cost-share under the Stafford Act. As explained in the President's Memo and federal guidance, there are two options for administering the LWA program. The first option sends \$400/week (\$300 federal + \$100 state) to each eligible claimant with a total estimated cost of \$20 million/week to South Carolina. The state costs can be funded through coronavirus relief funds (CRF) not already deposited into the UI trust fund or through other state funds. The second option sends \$300/week to each eligible claimant with no up-front cost to South Carolina. There are no costs associated with the second option because the existing UI weekly benefit payments to individuals unemployed due to COVID-19 will be treated as South Carolina's cost-share contribution. Of the 30 states that FEMA has approved for the LWA program, 28 applied for the \$300 option and only 2 applied for the \$400 option.

**Effective Dates:** The LWA program is retroactive to the week of unemployment ending August 1, 2020. This program will terminate when the disaster relief fund (DRF) at Federal Emergency Management Agency (FEMA) drops to \$25 billion or for weeks of unemployment ending not later than December 27, 2020,<sup>1</sup> whichever occurs first. SCDEW projects this program would reduce the DRF to \$25 billion well before December 27, 2020. Notably, FEMA is committing to providing states with an initial grant allotment to cover only three weeks of unemployment. Additional disbursements beyond three weeks will be made on a weekly basis to monitor available funding. This program will also terminate if another stimulus bill is passed by Congress and signed by the President.

**Costs:** As mentioned above, the cost to South Carolina of the \$400 option is estimated at approximately \$20 million/week, whereas there are no up-front costs for the \$300 option. The no-cost estimate for the \$300 option is based on the assumption that weekly UI benefit payments to individuals affected by COVID-19 are sufficient to cover the entire 25% cost-share contribution required by the Stafford Act. This assumption becomes less certain the longer the program continues because the number of individuals receiving state UI benefits is decreasing more quickly than the number of individuals receiving federal UI benefits under the CARES Act programs. At some point, it is possible that there are not enough claimants receiving state UI benefits to account for the 25% cost share for the LWA program. See the potential costs matrix below.

**Fraud:** There is also the potential for costs after the program close-out. Eligibility for the LWA program is determined by “self-certification.” This, to a certain extent, invites fraudulent activity. FEMA’s grant application indicates that States are responsible for recovering any money obtained fraudulently and, if the money is not recovered, States must reimburse FEMA for that money. Our best estimate of the potential fraud involved, based on historical claim activity, is in the cost matrix below. When South Carolina submits its application to FEMA, we will request that the fraud reimbursement requirement be excluded. It is unlikely, though, that this will be acceptable to FEMA.

**Duration:** In order to further ensure that South Carolina does not have to contribute State funds, SCDEW believes that South Carolina can apply for the program only for a defined period of time, for example, the five weeks of unemployment from the week ending August 1, 2020 through the week ending August 29, 2020. We would also include a provision that South Carolina be able to withdraw from the LWA program at

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<sup>1</sup> The Presidential Memorandum announcing the LWA program cited an end date of December 6, 2020. In a grant application template and during a call with states on August 11, 2020, FEMA clarified that the latest the program would be available would be through December 27, 2020.

any time. Based on the guidance we have received, we believe an application that is time-limited with an opt-out provision is permissible, but we ultimately will need to receive FEMA’s approval on these provisions.

**Potential Cost Matrix:** A matrix showing the projected program and fraud costs for a five-week program under the \$300 option is below. The information in this matrix is a best estimate based on certain reasonable assumptions. Actual figures may differ.

	<b>Estimated SC Claimants to Receive \$300</b>	<b>Federal Payment to Claimants with Extra \$300/week</b>	<b>SC Required 25% Match</b>	<b>Estimated SC UI Payments</b>	<b>Add'l Cost to SC</b>	<b>Potential Fraud Costs to SC</b>
1-Aug	204,562	\$61,368,600	\$20,456,200	\$34,627,690	\$0	\$859,160
8-Aug	191,170	\$57,351,000	\$19,117,000	\$31,416,413	\$0	\$802,914
15-Aug	184,339	\$55,301,700	\$18,433,900	\$28,542,885	\$0	\$774,224
22-Aug	177,331	\$53,199,300	\$17,733,100	\$25,240,693	\$0	\$744,790
29-Aug	178,155	\$53,446,500	\$17,815,500	\$22,514,076	\$0	\$748,251
<b>Total</b>		\$280,667,100			\$0	\$3,929,339

**Constituent Concerns:** South Carolinians are eligible for the LWA program only if they receive at least \$100 per week in UI benefits. Approximately 12,500 South Carolinians currently filing have weekly benefit amounts less than the \$100 threshold. These people, typically low-wage earners, would not be eligible for the additional payment. Also, USDOL advised that individuals whose eligibility status is determined after the end date of the LWA program are not entitled to a retroactive payment for weeks of unemployment occurring before the end date. In layman’s terms, if a claim is in pending status or appeal status when the money runs out, that person is not going to receive an LWA payment, even if they actually met the eligibility criteria. This would be in contrast to the CARES Act programs that claimants may have become accustomed to in which payments are backdated regardless of final resolution time.

**Timeline:** SCDEW and the South Carolina Emergency Management Division will require one day to complete and submit the LWA program application to FEMA, and we expect FEMA to respond within one day. SCDEW anticipates issuing payments to eligible claimants within three weeks of receiving FEMA’s approval.

**Recommendation:** We recommend that South Carolina submit an application for the \$300 option for a specified period of time, such as five weeks. This allows South Carolina to deliver enhanced weekly benefit amounts to our claimants with minimal cost to the State. Even though there is the potential for costs due to fraudulent payments, this

appears to be a reasonable trade-off in order to receive an estimated \$280 million in federal funding available under the LWA program.