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Federal Funding Uncertainty, Labor Shortages Threaten USVI Disaster Recovery, ODR Warns

Trump's tariff policy, federal workforce cuts, and the risk of funding de-obligation, combined with labor shortages, have created uncertainty among contractors, leading to limited interest in USVI recovery projects, ODR warns.

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ODR Director Adrienne Williams-Octalien at the V.I. Legislature on Thursday. By. V.I. LEGISLATURE

As the Office of Disaster Recovery presses on with restoration work across the territory, its leadership says they are “faced with a shift in market conditions that has created a series of new challenges that demand our attention and resources.” The sobering update was provided by ODR

Executive Director Adrienne Williams-Ocatalien as she testified before the Committee on Disaster Recovery, Infrastructure, and Planning on Thursday.

With multiple construction projects either ongoing or in the pipeline, ODR continues to contend with “increased construction costs, insufficient pool of project laborers and professional staff, lack of workforce, [and] housing and supply chain constraints.” Additionally, increased project activity on the mainland has resulted in “significantly more work than contractor capacity” across the United States. Therefore, Ms. Williams-Ocatalien says, it is “increasingly more difficult to engage new contractors to the territory.”

Contractors now tend to form partnerships when responding to requests for qualifications or proposals, resulting in fewer bids during project solicitation processes. “It is not atypical in this environment for programs to receive an average of two or [fewer] major contractor bids, limiting the selection pool for solicitations and driving higher bid prices,” Ms. Williams-Ocatalien testified.

Further exacerbating these challenges is the parsimonious approach President Trump has taken when it comes to federal spending. “The risk of de-obligation of recovery dollars due to the federal administration shift in policy,” Ms. Williams-Ocatalien explained, “undermines the confidence of stakeholders that funding will remain available to carry out recovery efforts.” Additionally, “changes in regulatory frameworks, including higher tariffs, increases costs and diminishes purchasing power.” The sobering assessment of the current recovery landscape disturbed lawmakers.

Committee chair Senator Marise James was startled to learn that “there's a possibility that the money that's obligated can be de-obligated at this time.” However, the risk of complete de-obligation is not the only possibility. According to Ms. Williams-Ocatalien, even a temporary denial of funds can “affect project schedules.” In fact, she disclosed that a recent executive order issued by President Trump “affected our ability to draw funds on projects that were already obligated.”

The uncertainty caused by the Trump administration's policies “affect our contractors' confidence in the program, and some of this is beyond our control,” ODR’s director stated. While the president's budget-slashing agenda is still being rolled out while also being litigated in the courts, ODR, Ms. Williams-Ocatalien says, is “standing by to understand what is the approach for the new administration as it relates to funding.” While there is no real expectation that funds will be rescinded in the middle of a project, “the greatest risk is for us to not be able to demonstrate progress with the expenditure of funds,” she told lawmakers. That ability to demonstrate progress, Ms. Williams-Ocatalien stressed, is often the deciding factor in deadline extensions for federally-funded projects.

Apart from uncertainty over funding, cost-cutting measures and mass layoffs within the federal government are also set to create stumbling blocks for ODR. Senator Marvin Blyden reminded testifiers that the Department of Housing and Urban Development’s secretary has been instructed to “lay off half of HUD employees – some 4,300 individuals.”

“The concern with federal layoffs is very alarming because it takes time for approvals to be done,” admitted Ms. Williams-Ocatalien. ODR is aware that “manpower shortages are part of the reason why responses take long to get back for approvals for requests that we've made...Manpower issues affect the recovery overall, and it is concerning,” she continued.

“Every issue with every federal funder becomes an issue for moving our projects forward,” warned ODR’s director. “So the answer is yes, we are on heightened alert for expending funds.”

Despite the new risks and challenges that the territory must now contend with, the Office of Disaster Recovery remains resolute. Ms. Williams-Octalien says she is determined to “continue to develop strategies to overcome these seemingly insurmountable roadblocks.”

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