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## V.I. Department of Labor Loses \$12.5 Million in Federal Clawback, Faces Further Cuts in Key Workforce Programs

**The V.I. Dept. of Labor lost \$12.5M in federal funds meant to modernize unemployment systems, with delays now expected in implementing Act 8827; upcoming cuts of up to 35% threaten workforce initiatives including the Summer Youth Program.**

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The V.I. Department of Labor is another victim of federal funding claw backs, having lost some \$12.5 million dollars awarded in 2024. The troubling information was shared by VIDOL Commissioner Gary Molloy during Thursday's budget hearing.

The multimillion dollar grant was intended to “assist with our modernization of the unemployment system as well as to enhance our integrity process,” Mr. Molloy told Senator Novelle Francis Jr., chair of the Committee on Budget, Appropriations, and Finance, where the meeting was held.

VIDOL’s situation is not unique. “They were clawed back across the country,” explained Assistant Commissioner Nisha Christian Hendrickson. She noted that the department “received the funds rather late.” By the time of the clawback, VIDOL had already taken steps to allocate the federal funds. “We had ones that were in various stages of procurement, so we were very close to being able to finalize that part to be able to begin the contracts. And then, of course, the decision happened to claw back.”

A portion of the \$12.5 million sum was intended to “fast pace the modernization” of VIDOL’s unemployment system. These updates are necessary for the department to implement the provisions of [Act 8827](#), which reduces the timeframe within which laid off workers can collect [unemployment benefits](#) by over two months.

“We’re going to be a little delayed on the implementation even though it’s already in law,” Mr. Molloy told Senator Ray Fonseca.

Sen. Francis also noticed that “over 10” federal grants totaling over \$3.2 million will expire on June 30th, 2025. Per Kenneth Milligan, VIDOL’s federal grants director, “Most of the ones ending with the high balances at the end of this month was CARES Act money and we no longer have use for those monies. Those money was specific to do specific things.”

“We utilized the funds as they were intended. They gave us more money — just like other states — than we needed to have,” Ms. Christian Hendrickson further clarified. “We had no choice but to return because [they] could not be reallocated or reappropriated to anything else other than what it was,” Mr. Molloy added.

The V.I. Department of Labor is bracing itself for further cuts as well. “There’s going to be a reduction in the funding for the workforce development depending on what happens with the new bill. And so we’re anticipating and planning for cuts for between 20% to 35%,” Mr. Molloy stated. There may be reductions on the “unemployment side” as well, he said. “It is unclear as to how much,” Mr. Molloy noted. He told lawmakers that he continues to liaise with the agency’s regional administrator. Unfortunately, “they are still there in the holding pattern, just like us.”

Pending cuts are expected to impact programming like the Summer Youth Program. This summer, VIDOL was only able to accommodate 817 of 1,240 applications. In FY2025, VIDOL received \$876,000. “In this upcoming fiscal year 2026, there is going to be a reduction from the \$876,000 to \$576,000,” Mr. Molloy revealed. “We already know that the program will not be able to be as big as it is this year, next year,” he told Senator Angel Bolques.

Even with the reductions in federal spending, VIDOL anticipates managing some \$6,161,081 in federal grants in the upcoming fiscal year. That figure is included in its budget request alongside a \$12,984,698 appropriation request from the general fund. VIDOL anticipates spending \$5,317,865 on personnel costs with an additional \$2,966,018 in fringe benefits, and \$3,987,082 for other services. Supplies are expected to cost \$472,902, and VIDOL will set aside \$240,831 for utilities.

Of keen interest to lawmakers was the continued payment of approximately \$187,000 in rental costs for VIDOL’s St. Thomas offices, as the purchase of the property has not been finalized. The department is expected to realize major cost savings once the purchase is complete. “This is like the second year now. So hopefully we do get to close,” remarked Senator Kenneth Gittens.

