

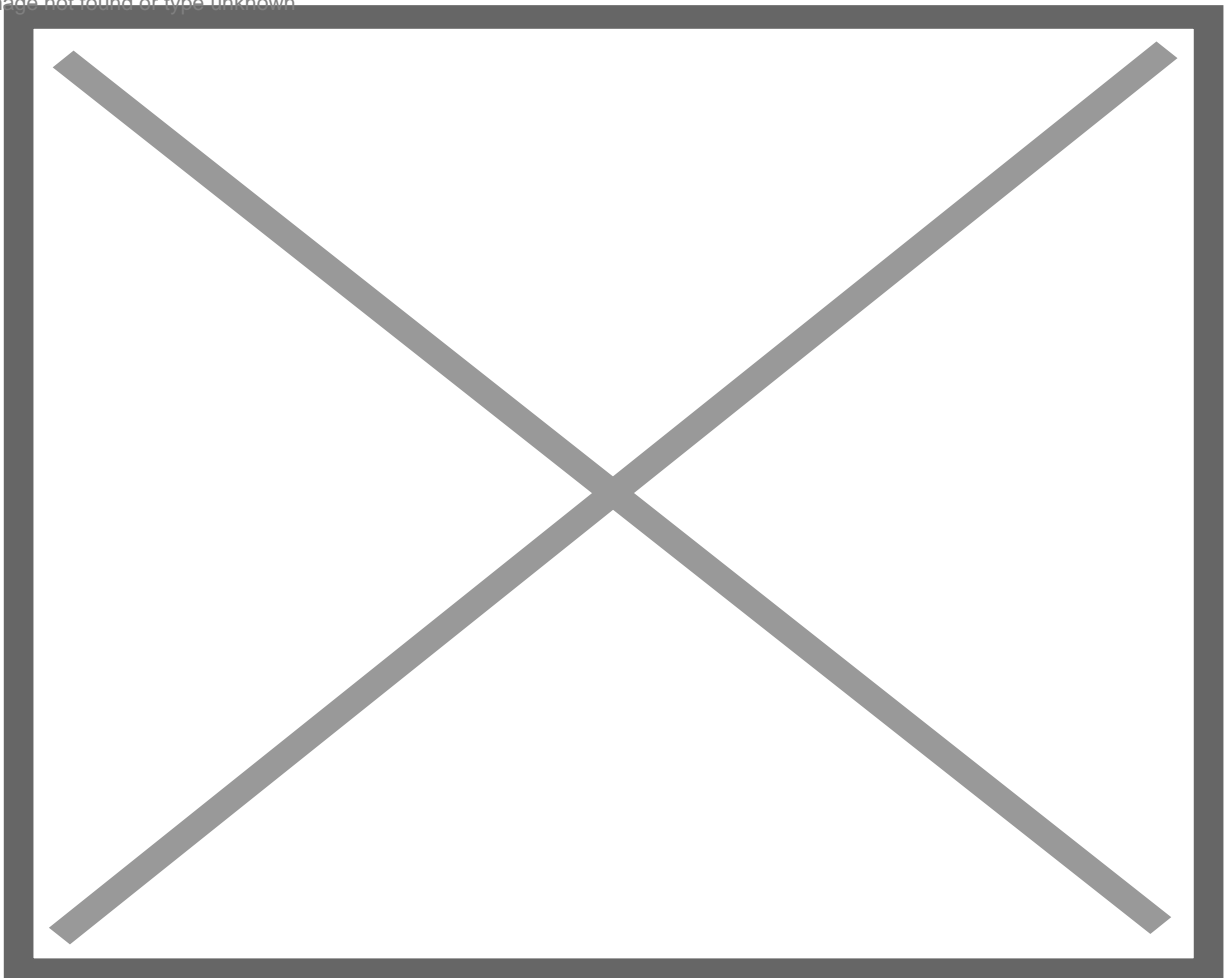
DHS Faces Funding Pressure From Minimum Wage Law, Abortion Restrictions, and OBBBA Compliance Mandates

Human Services is under pressure from Medicaid abortion limits, child care and SNAP policy shifts, and the \$35K wage law—warning that local funds are insufficient to meet rising costs as federal grants provide less flexibility and no additional funding.

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Warning that this year's budget will present significant challenges in meeting the growing needs of the community, Human Services Commissioner Averil George appeared before the Committee on Budget, Appropriations, and Finance on Wednesday to defend the department's FY2026 budget request.

DHS's total budget is [\\$297.2 million](#), inclusive of \$228.1 million from federal sources, \$69.16 million from the general fund, and other non-appropriated funding. According to Ms. George, the federal funding amount restores DHS to "pre-pandemic funding levels, but with less flexibility and greater constraints." The general fund appropriation, meanwhile, saw a decrease of \$1.8 million with "service needs and operation costs remaining high across the territory."

"The general fund now covers less than a quarter of total DHS operations, Commissioner George reported. Local funds are therefore "stretched to pay for payroll, fringe, utilities, and critical support services." According to Ms. George, every line item is "under pressure" and "careful planning will be needed to avoid gaps or slow down in services."

The Department of Human Services is now turning its attention to the One Big Beautiful Bill Act (OBBBA), set to have sweeping implications for programs administered by the department. Indeed, Ms. George reminded lawmakers that Medicaid, SNAP, and child care provisions will "undeniably shape the department's long term planning and compliance landscape." Several of the federal requirements have "staggered effective dates" ranging from immediately to 2029. Among the requirements to be effected immediately is "prohibitions on Medicaid, Medicaid funding for certain abortion providers for a 10 year period."

This particular provision extends beyond the traditional Hyde Amendment, which limits federal Medicaid dollars from being used for abortions except in cases of rape, incest, or life endangerment. The OBBBA goes further by imposing a decade-long restriction on Medicaid funds to any providers affiliated with abortion services—regardless of whether the funding is for other services like cancer screenings or contraception. As a result, major providers such as Planned Parenthood may be barred from receiving Medicaid reimbursements entirely, which could reduce access to basic health services for low-income individuals. The policy adds a new layer of compliance burden for the department and may disrupt service delivery in communities already facing healthcare access challenges.

Under the OBBBA, DHS "anticipates increased local administrative cost shares beginning in FY28 for SNAP and TANF programs." These changes will require "monitoring for future budget and operational impacts," Commissioner George advised. Where childcare is concerned, the bill "creates employer-based childcare tax credits to incentivize private partnership with local daycare providers." Ms. George believes the local impact will "depend on the adoption of federal tax policies and the engagement of local businesses."

However, whether local businesses can effectively partner with the government to offset the impact of lost federal funding remains uncertain. Many small and medium-sized enterprises in the Virgin Islands may lack the financial capacity or structural readiness to take on expanded roles traditionally filled by federal programs.

The One Big Beautiful Bill Act is not the only piece of legislation with wide ranging impacts for DHS. Of its 654 active employees, 107 DHS staff earn under \$35,000, the newly enacted [minimum wage for government employees](#) that is currently the subject of a legal battle. DHS is prepared to "honor the proposed salary increases" but warned the Committee of "funding challenges post-implementation." The 107 positions include a mix of locally and federally funded employees. Commissioner George made it clear that "federal grant awards will not increase in response to local statutory changes." Available federal funds, then, will be able to cover fewer salaries and "any shortfall must be met with local funds." Local funds are already strained, with DHS receiving a reduction of \$564,000 from each monthly allotment.

Senator Carla Joseph countered her argument, suggesting that DHS “ask for budget modification to the federal partners based on the law.”

Ms. George foresees an even more dire financial situation if the increases “ripple into other classifications as a result of the adjustment for these employees.” Nonetheless, DHS remains open to working with the Legislature, with a caveat regarding the “potential for funding gaps and operational strain if local resources is not increased accordingly.” DHS estimates that it will cost an additional \$526,489 to bring the 107 employees up to the \$35,000 minimum wage. That figure does not include fringe benefits.

DHS is projecting some \$1.5 million in its professional savings category, a figure that buoyed Senator Kurt Violet, the author of the minimum wage bill. “The cost of implementing the increase for all 100 is \$500,000, and we have a savings of \$1 million, so we already have it right there,” he contended. “When everybody was screaming this or that, look at the numbers; the numbers work out.”

DHS has taken a “cut for our vacancies,” described as a “freeze on vacant position funding” by Senator Milton Potter. He was concerned about DHS’s ability to meet service demand but was assured by Commissioner George of “restructuring” and “realignment in regards to being able to hire more individuals to fill those slots.” Additional staff are required to reduce burnout and consequently, increase morale.

Outside of these fiscal challenges, DHS is also contending with increased fragmentation of its physical locations. On St. Thomas, staff operating out of the Knud Hansen Complex are being relocated to Tutu Park Mall and Havensite Mall as DHS prepares for a \$128M FEMA-funded rebuild of that building. Completion is anticipated in the first quarter of 2029. On St. Croix, some staff have been relocated to offices that are “more safe and conducive.” George admitted that “you will see an increase in our rent,” but assured that “it’s just to make sure that our facilities are repaired.” FEMA, however, is covering 95% of the rental cost for the Knud Hansen relocation.