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Labor Department Seeks \$21.97 Million After Final Repayment of \$100 Million Unemployment Loan

VIDOL is requesting \$12.8 million from the General Fund and expects \$9.1 million in federal grants, while Gary Malloy reported the final \$11.9 million repayment on a roughly \$100 million unemployment loan and progress on digitization and workforce work.

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Labor Commissioner Gary Malloy said VIDOL made its final \$11.9 million payment on a roughly \$100 million unemployment loan while seeking a \$21.97 million FY2027 operating budget. **By. V.I. LEGISLATURE.**

The V.I. Department of Labor is seeking a total operating budget of \$21,972,467 for fiscal year 2027, with Commissioner Gary Malloy telling lawmakers that the agency has made its final

repayment on a federal unemployment insurance loan that once formed part of a cumulative unemployment debt of approximately \$100 million.

VIDOL's General Fund request totals \$12,823,544, which is \$161,154 less than its FY2026 appropriation. Dr. Malloy said the reduction comes amid "inflationary pressures, increased federal compliance requirements, expanded workforce development responsibilities, and the continued integration of Workers' Compensation operations."

The department also anticipates receiving \$9,148,923 in federal grant funding, bringing the total operating budget to \$21,972,467. Federal funding increased by \$3 million over FY2026 and more than offsets the reduction in local funding, although those federal dollars are tied to specific initiatives.

A breakdown of the General Fund request includes \$6,868,279 for personnel services and \$3,502,131 for fringe benefits. Supplies are budgeted at \$457,500, while other services are expected to cost \$1,729,806. Utilities are estimated at \$265,828.

During testimony before the Committee on Budget, Appropriations, and Finance, Dr. Malloy said VIDOL has processed the "final repayment of \$11,888,166 toward the territory's federal Title XII Unemployment Insurance Loan." He described the payment as the last step in repaying a cumulative federal unemployment debt of "approximately \$100 million."

The retirement of the debt "protects Virgin Islands employers from future FUTA credit reductions and associated federal tax increases..." Dr. Malloy said.

He also told lawmakers that VIDOL has distributed \$2,184,050 in unemployment insurance compensation to claimants. The Unemployment Trust Fund "maintains a balance of approximately \$14,726,456.37 available for future benefits."

On workforce development, VIDOL helped secure job opportunities for 295 individuals. The department is also in "discussion with all of the major contractors" as skilled labor demand increases with ongoing reconstruction projects.

Dr. Malloy also reported what he described as another "significant" achievement: the removal of the High-Risk Grantee designation from the Virgin Islands Division of Safety and Health by Federal OSHA. He said the accomplishment is "particularly noteworthy given the Division's long history of federal oversight."

Lawmakers were also told that VIDOL has "substantially completed one of the largest records digitization projects undertaken by the Department." According to Dr. Malloy, approximately 3.1 million records have been scanned and electronically archived. He said the benefits include stronger disaster recovery capability, reduced physical storage needs and lower related costs.

Dr. Malloy also provided an update on the Summer Youth Work Experience Program, which is funded by VIDOL's FY2026 appropriation. This summer, 1,055 participants are expected to benefit from the program at a cost of \$1.57 million.

For FY2027, VIDOL is requesting \$2,017,920 for the Summer Program. That amount is included in a separate Miscellaneous General Fund request totaling \$4,995,719. The request also includes \$900,000 for unemployment insurance contributions and \$2,077,799 for operations expenses for the Workers' Compensation Administration.

Wednesday's hearing was largely positive, with lawmakers acknowledging several of VIDOL's reported advances.

"This is a very high-performing department," Senator Ray Fonseca stated.

Still, Senator Hubert Frederick raised concern about personnel spending.

"Why is it the numbers grow irrespective of how much we spend on technology and innovation?" he asked Dr. Malloy.

Dr. Malloy said that while VIDOL is modernizing processing, the department is "repurposing" staff rather than eliminating positions. He also defended the agency's spending on personnel.

"the cost of living is increasing, so that's going to do some increased costs," he told Senator Frederick.

Mr. Frederick also expressed concern that VIDOL's staffing complement includes more unclassified workers than classified personnel.

"We're going to have more high-end people in there than line folks that we do need," he said.

Dr. Malloy again defended the department's approach.

"In order for us to be high functioning and efficient, we need to pay people what they're worth," he said.