

The Virgin Islands Consortium

Government's Unemployment Insurance Fund \$70 Million In Debt As Over 3,000 Businesses Fail To Make Payments

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ST. CROIX -- The departments of Justice and Labor have launched a joint initiative aimed at collecting approximately \$32,211,553 Unemployment Insurance Fund (U.I.F.) monies owed by over 3,000 employers in the territory, which has forced the government, beginning in 2009 and up to 2014, to borrow millions more from the federal government to meet the obligation of paying U.I.F. wages to residents cut out of the workforce because of a myriad of circumstances, including the Great Recession that began to affect the territory in 2007, and more recently the shuttering of the HOVENSA refinery, when over 2,000 workers were made redundant. The constant borrowing has

resulted in the local government owing the federal government over \$70 million.

Attorney General Claude Walker called the effort a "collection initiative" in a teleconference this morning. He revealed that it was the first time in D.O.L.'s history that the department had reached out to D.O.J. for assistance in collecting funds, a sign of the urgency of the matter.

"We have over 3,000 employers in the Virgin Islands who have fallen behind in their unemployment insurance contribution," Mr. Walker said, later telling The Consortium that D.O.L. would not reveal the names of the delinquent firms. "That fund was created to help employees who are relieved of their jobs, who are unemployed, to help them maintain themselves while they look for employment."

The debt goes back to the 1980s, and D.O.L. has tried several collection efforts, including amnesty programs in 2002 and 2004. However, "those programs have been unsuccessful," Mr. Walker said. He noted that the over \$70 million owed by the local government to the U.S. Treasury has to be paid back, and contended that the government must take the steps necessary to collect funds if it is to stave off a financial situation [similar to Puerto Rico's](#).

"What's causing this is we have employers who have not made their contributions as required by law," Mr. Walker charged. Because of this, D.O.J. is preparing warning letters that will be distributed, beginning today, to all the delinquent businesses, informing them of the new initiative, and giving their owners until June 15 to appear at one of D.O.L.'s offices here or in St. Thomas to make payments on what is owed.

"They also have a right to contest what is owed, but they have to respond to my notice and to this public announcement once they receive the letter," Mr. Walker said. The A.G. added that once June 15 has passed, "the Department of Justice will have to take legal action against these employees," referring to those businesses that would have failed to respond. "It could involve very severe legal action," Mr. Walker warned.

Mr. Walker said the delinquency has gone on for too long: "It's amazing that this has been carried on for decades," he said. "And now we are at point where we must address the outstanding debt to the federal government as well as getting these employers to pay what they owe and to keep the funds solvent."

D.O.L. Commissioner Catherine Hendry said the temporary benefits provided by the unemployment program, which is currently insolvent, "help workers sustain their families when they're out of work," and "keeps money flowing into businesses as these monies are spent to provide basic needs." She joined Mr. Walker in stressing the importance of employers making payments to bring the fund back to solvency, a reserve amount considered to be \$8 million. Currently, only \$1.7 million is in the government's unemployment fund, according to Ms. Hendry.

"When our trust fund account runs out of money to pay benefits, we would need to loan from the federal unemployment system in order to continue providing benefits to those who are out of work," she said, revealing that the G.V.I. has had to borrow, at one point, upwards of \$89 million to keep unemployment payments steady. Ms. Hendry said there was no guarantee that the government could continue to receive loans from the federal

government because the amount currently owed.

According to Mr. Walker, D.O.J. has authority under law to "aggressively go after these employers and have them deal with their delinquency." He said the list of over 3,000 employers include major companies that are well able to make unemployment payments. "So it's inexcusable for them -- or anyone -- for to fall behind on their unemployment insurance obligation," Mr. Walker said. "We're not carrying debt to the point where it causes a financial crisis in the Virgin Islands."

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