

The Virgin Islands Consortium

(Update) A Snag In The Way Of The VI Government Receiving Federal Dollars: Matching Funds Requirement

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Update: In an interview with The Consortium on Wednesday, Governor Mapp said the territory would not need to come up with the matching funds, as the funds are provided through the federal allocation, not local dollars.

"I just want to leave with you that we don't have any difficulty in accessing these dollars. The next step is putting the plan in place, getting the community involved, and getting the approval from H.U.D.," Mr. Mapp said. "Once H.U.D. signs on, they may say we need more information on this, we need more information on that, but once H.U.D. says, 'okay,

it's approved,' that means go do the project and draw the funds down against the projects." Read the full story [here](#).

Original Story: ST. THOMAS -- The sum of \$1.6 billion to the U.S. Virgin Islands [was announced](#) by U.S. Department of Housing and Urban Development (H.U.D.) Secretary Ben Carson, along with Governor Kenneth Mapp just last week. The announcement was the largest of its kind to the U.S. Virgin Islands, and it immediately sent a shimmer of hope through the territory, which continues to struggle from the effects of Hurricanes Irma and Maria.

The funds, along with [the \\$243 million announced in February](#) by H.U.D., are to help the U.S.V.I. in a broad range of areas. "Our goal is to get people back into their homes, get people back to work, to build a stronger U.S. Virgin Islands for future generations," Mr. Carson told us during an interview last week. "These grants will restore homes and jobs, and repair critical infrastructure like roads, bridges, sewers, waterways, and also the island's electrical grid."

But while Mr. Mapp has proclaimed loud and clear that the funds provided will help set the path for a brighter and prosperous Virgin Islands, he has failed to explain to the public a critical precondition before the funds are released: the federal matching funds requirement.

Various federal disaster recovery programs available to Virgin Islands require a local funds match from 10 to 25 percent of the project. For example, if the government puts forth a plan to H.U.D. to spend \$100 million of the first \$243 million provided to the territory by the federal government, the local government must put up between \$10 million to \$25 million in order to receive the funding. Combining the \$243 million and the \$1.6 billion recently announced, the H.U.D. sum climbs to \$1.8 billion. While most projects deriving from the \$1.8 billion might not cost \$100 million, the size of the project is not the real issue, as the 10 to 25 percent requirement is a stipulation for projects small or large.

Therefore, if one is to apply to the \$1.8 billion the highest percentage requirement by the federal government in local matching funds, which is 25 percent, the local government would need to come up with -- though not in one bulk offering -- \$450 million. The base 10 percent requirement would still demand \$180 million, and if it falls in the middle, say about 12.5 percent, the sum jumps to \$225 million.

The government of the Virgin Islands, facing an economy that was already anemic before the 2017 storms, has no viable means of providing such high sums to the federal government. Its borrowing capacity is weak; and the local workforce has diminished as thousands migrated to the U.S. mainland following Hurricanes Irma and Maria -- exacerbating an already fragile setup.

Mr. Mapp conveyed these concerns with officials at the Department of Interior (D.O.I.) during his recent visit to Washington, D.C. [According to D.O.I.](#), Mr. Mapp explained that the loss in government revenues due to the hurricanes further stressed the government's fiscal position and its ability to meet the local matching fund requirements for various federal programs that were critical to forwarding the Virgin Islands continuing recovery.

D.O.I. Secretary Ryan Zinke said that under the Insular Areas Act, D.O.I. is required to waive any local match requirements. Under the provisions of 48 U.S. Code § 1469a, however, the administering authority of any department or agency is authorized to waive, at its discretion, any requirement for matching funds otherwise required by law to be provided by the Insular Areas. The Insular Areas Act defines Insular Area as American Samoa, Guam, Northern Mariana Islands, and the Virgin Islands.

D.O.I. said Mr. Zinke led a robust discussion around the applications and implications of various provisions of the Insular Area Act that concluded with both Mr. Zinke and FEMA Administrator Brock Long agreeing to seek the broadest implementation of the Act that will allow the Virgin Islands the greatest access to available funding.

That's good news, but it remains to be seen whether the ongoing discussions will translate into tangible relief to the V.I. government.

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