The Virgin Islands Consortium

Report: USVI Recovery Threatened By VI Government's Lack Of Funds

Business / **Published On June 06, 2018 07:53 PM /**

Ernice Gilbert June 06, 2018

ST. THOMAS -- In April, The Consortium reported that the U.S. Virgin Islands had a major issue to confront relative to the billions of dollars pouring into the territory following the 2017 storms from various federal sources: the federal matching fund requirement.

The report spoke of a 10 to 25 percent federal matching fund requirement needed to secure the hurricane recovery-related federal dollars, and used as an example U.S. Department of Housing and Urban Development funding to the U.S.V.I. of $1.8 billion: "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," read the report.

A day later, Governor Kenneth Mapp told The Consortium in an interview that the territory would not need to come up with the matching funds, as the monies, he said, are provided through the federal allocation and 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.”

Today, however, a report in The Washington Post says contractors hired to repair thousands of homes damaged by the 2017 storms have not been paid for months, because although the federal government covers the cost for those repairs, the local government must first make 100 percent of the payment upfront. And with the territory's government in seemingly an perpetual state of financial crisis -- with no more than four days cash on hand -- it does not have the money to pay the contractors.

The homes being repaired through the Sheltering and Temporary Essential Power (STEP) program (known locally as the Emergency Home Repairs V.I. Program), is to be partly funded with $186 million that the federal government has set aside. But the agreement demands that the local government pay the cost upfront and receive reimbursement from FEMA. Problem is, the Government of the Virgin Islands does not have the money.

This has caused a roadblock, according to the Washington Post report. And although the G.V.I. has asked that FEMA expedite the release of the funds, the federal agency has refused, citing the procedures that govern the program.

AECOM, which has won multiple contracts to provide hurricane-recovery rebuilding work, told The Post that it had "not received payment for work performed," and therefore had not paid its subcontractors as of Wednesday.

“We are working closely with the Virgin Islands Housing Finance Authority and FEMA to have the project funds released so that the project’s subcontractors may be paid as soon as possible,” AECOM told The Post in a statement.

In April, the governor conveyed concerns he had with the local government's ability to provide upfront funding with officials at the Department of Interior (D.O.I.) during a 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.

A STEP spokesman told The Post that the V.I. government had asked since May for the $186 million to be drawn down. However, according to spokesman Ricardo Zuniga, FEMA will release the funds only after receiving "appropriate documentation" of the project's scope and costs.

During a Senate hearing today, Committee on Finance chairman Senator Kurt Vialet, said, “Payments seems to be delayed because the federal guidelines are not designed to meet structural needs of homes built in the Virgin Islands. Sheetrock, cleaning or repairing cisterns, and replacing downspouts are construction repairs that are heavily needed for the homes territory-wide.”

Yet even if FEMA releases the $186 million, it would only cover labor and materials cost. Mr. Zuniga said the local government requested an additional $153 million for logistical support and a call center for victims of the storms to apply for aid.

"It’s a significant problem . . . . You have to spend the money to get the money back from FEMA,” said Brad Gair, senior program manager for the Virgin Islands, according to The Post. “We don’t have the money available for all the non-swinging-the-hammer costs, and [the contractors] are already mobilized, already bought materials, and already did outreach.”

In February, Mr. Mapp announced that $776 million had been set aside for the Emergency Home Repairs VI Project, stating that it would "put an average of $25,000 in over 12,000 homes in the Virgin Islands for immediate repairs."

“Anything related to the disaster that affects your home, you can apply for this program,” Mr. Mapp said in February. “This program is expected to employ some 2,500 folks."

Mr. Mapp did not explain that the territory would need to provide the funding upfront and receive reimbursement from F.E.M.A. thereafter.

At the time of announcement, about 9 contractors had already been retained as subcontractors under the main contract of the project, the governor made known, adding that more licensed contractors and tradespeople would be hired. “We will be doing that across the media and letting folks know what they need to do and where they need to show up,” he said.

With contractors not being paid, Mr. Zuniga said it was up to the V.I. government to remedy the problem. "This is the program that they signed on with us for, and this is a program that the territory has agreed to,” Mr. Zuniga said. “We have a responsibility to follow the law and collect receipts.”