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Concerns Raised Over Department of Labor's $1.9 Million Downpayment For Building it Currently Occupies

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Dept. of Labor Commissioner Gary Molloy. **By. V.I. LEGISLATURE**

During a heated Senate Committee on Finance, Budget, and Appropriation hearing on Thursday, concerns were raised regarding the V.I. Department of Labor's (DOL) plan to spend $12.7 million for fiscal year 2024, notably a $1.9 million allocation earmarked to purchase a building currently leased by the department.

Lawmakers questioned the financial prudence of drawing from the severely depleted Government Insurance Fund for the purchase. Committee Chair Senator Donna Frett-Gregory and her colleagues also scrutinized the department's plans for renovation and redevelopment, arguing for full transparency, and assessed the department's oversight of worker rights in the hospitality industry. The discussions shed light on bureaucratic inefficiencies and longstanding budgeting issues that have led to negative fund balances, promising a shakeup in future budget considerations.

Following Labor Commissioner Gary Molloy’s initial presentation, in which he outlined how the department planned on spending its requested $12.7 million for fiscal year 2024, committee Sen. Frett-Gregory narrowed in on a major issue: the $1.9 million dollars that was being sought as a down payment to purchase the building DOL currently occupies on St. Thomas, was programmed to come out of the Government Insurance Fund. However, that fund has for years been operating at a deficit in the tens of millions of dollars, according to official records.

“So when you all wrote your budget, you asked for $1.9 [million] knowing that fund is in the red some $50 million,” Frett-Gregory remarked. “We've been budgeting like this for the past umpteen years. In 2021 – ending balance $54 million in the red; 2022 – $52 million in the red; 2023 – as of March – $49 million in red."

The Finance Committee chair said she would no longer allow the executive branch to send budgets to the Senate, at least during her tenure, with monies drawn down from fund balances that are so deeply in the negative. “We keep talking about we’re passing balanced budgets, but we're not,” she said.

Discussion over the wisdom of the plan to buy the building occupied much of DOL’s block during Thursday’s Senate hearing. The commissioner emphasized the department's need for a transformed space. "We've outgrown this space… we need to be able to look at how we can maximize what we have," he said, speaking about the department's plan to refurbish and redevelop the building. He further assured senators that DOL had a "real good plan," however lawmakers were not willing to simply take Mr. Molloy’s word for it.

“You all got to share the plan,” Sen. Frett-Gregory stated.

Mr. Molloy responded, “Everything is being done through public procurement. We were looking at it as a mechanism initially, to be able to, again, not to have to pay rent, and to be able to own the building and with plans of retrofitting it."

Even so, Ms. Frett-Gregory sought to proceed with caution. “If we approve the budget as you ask, then we are basically sanctioning – saying yes to this — and I don't know that I would say yes to purchasing that particular building without us getting all of the information as it relates to the associated projected costs,” she explained, noting that once the building becomes the property of the government, taxpayers would not only be responsible for the purchase and renovations, but also all ongoing upkeep and maintenance costs. The senator, along with her colleague Sen. Francis, stressed that consideration of employee health, safety and wellbeing had to be paramount in this decision-making process, and the committee chair informed Mr. Molloy that the Legislature would not rubber-stamp the decision.

Discussion during Thursday’s hearing also touched on questions about the hospitality industry. Senator Diane Capeheart sought to learn whether DOL was looking into certain employers failing to provide workers with their pay stubs. In response, Mr. Molloy said the department had not received any complaints of that nature, and thus no investigations had been launched. However, he did highlight the obligation of employers to ensure workers are earning at least the minimum wage.

A brief inquiry into tipping from Senator Ray Fonseca led to clarification from Molloy that while customers were required to pay the service charge attached to their bills at restaurants and similar establishments, any gratuity percentage could be recalculated by the patron and the bill total adjusted. Mr. Molloy acknowledged the lack of standardization in tipping practices and advised consumers to be vigilant when examining their bills.

As DOL's segment of Thursday's Senate hearing drew to a close, Sen. Frett-Gregory expressed frustration at some of the hurdles that impede the expenditure of federal grant dollars. After it was disclosed that only $900,000 had been spent of the $2.79 million allotted to the department from the American Rescue Plan Act funds, Mr. Molloy explained that the process had been slowed due to the request having to pass first through the Office of Management and Budget before being processed by the Department of Finance. Questioning why DOL could not go straight to the Department of Finance, Sen. Frett-Gregory exclaimed, "This bureaucracy that we have created ain't getting us no place," perhaps unwittingly capturing the tenor of the bulk of the session's discussion, especially surrounding the several persistent negative fund balances.