

Disaster Funding Update Testimony



Committee on Disaster Recovery, Infrastructure and Planning
35th Legislature
Jenifer C. O'Neal
Director of the Office of Management and Budget
May 15, 2023 at 10:30 am
Earle B. Ottley Legislative Hall
St. Thomas, USVI

Good day Chairman Milton Potter, members of the Committee on Disaster Recovery, Infrastructure and Planning, other Senators of the 35th Legislature of the U.S. Virgin Islands, and members of the listening and viewing audience. I am Jenifer O’Neal, Director of the Office of Management and Budget (OMB) and I appear before you pursuant to your invitation to provide an update with respect to the status of the territory’s disaster recovery efforts, to include updates on ALL federal funds (i.e., ARPA, CARES Act I and II, Inflation Reduction Act, and Infrastructure Investment & Jobs Act).

Relative to your request, this testimony will provide responses to the funding that has been awarded, allocated, and expended, and will also detail what funds are remaining. Specifically, the items being addressed, per your invitation, are as follows:

- *Coronavirus Preparedness and Response Supplemental Appropriations Act*

This is an act of Congress enacted on March 6, 2020. The legislation provided emergency supplemental appropriations of \$8.3 billion in fiscal year 2020 to combat the spread of coronavirus disease 2019 (COVID-19) and counter the COVID-19 pandemic.

The Territory was awarded \$6,206,237 to the Department of Health from this Act. Of this sum, DOH appears to have expended all.

- *Family First Coronavirus Response Act*

The Family First Coronavirus Response Act (FFCRA or Act) required certain employers to provide employees with paid sick leave or expanded family and medical leave for specified reasons related to COVID-19. These provisions were applicable from the effective date through December 31, 2020.

The Territory was awarded \$20,723,201 from this Act. \$20,474,005 to the Department of Human Services and \$249,196 to the Department of Education. Of these sums, DHS has expended all \$20M and VIDE has expended \$7,250, leaving a remaining balance of \$241,946. This grant has since expired, and the funds are no longer available to expend.

- *Coronavirus Aid, Relief, and Economic Security (CARES) Act*

As you know, the Coronavirus Aid, Relief, and Economic Security (CARES) Act established the Coronavirus Relief Fund to provide direct economic relief and assistance to State, Local, Tribal and Territorial governments that have been impacted by the COVID-19 outbreak. These funds were only to be used to cover expenses that:

- a) Are necessary expenditures incurred due to the public health emergency with respect to the Coronavirus Disease 2019 (COVID-19);
- b) Were not accounted for in the budget most recently approved as of March 27, 2020 (the date of enactment of the CARES Act) for the State or government; and
- c) Were incurred during the period that begins on March 1, 2020 and ends on December 31, 2021.

The Territory was awarded \$542,842,531 from the CARES Act to 15 agencies. The allocations included the first stimulus payment of \$1,200 to eligible individuals and just under \$100M remains available:

	Awarded
BIR	\$84,700,000
OMB	\$105,572,702
VIDE	\$73,039,533

DHS	\$11,026,891
JFL	\$11,829,130
SRMC	\$10,167,182
DOL	\$124,273,999
VITEMA	\$49,567,500
DOH	\$12,140,375
LEPC	\$2,932,867
DPNR	\$1,202,704
DPW	\$4,100,960
VIHFA	\$5,068,127
VIPA	\$42,617,710
VIHA	\$4,602,851

Paycheck Protection Program and Healthcare Enhancement Act

On April 24, 2020, the Paycheck Protection Program and Health Care Enhancement Act was signed into law, marking the fourth major legislative initiative to address COVID-19. The Act included a number of health provisions to address the domestic outbreak as well as additional funding provided for the paycheck protection program under the Small Business Administration.

The Territory was awarded \$4,668,794 to the Department of Health from this Act. Of this sum, DOH has expended \$834,172, leaving \$3,834,622 available for spending.

- *Consolidated Appropriations Act 2021*

Both the CARES Act (2020) and the Coronavirus Response and Consolidated Appropriations Act (2021) provided fast and direct economic assistance for American workers, families, small businesses, and industries.

The CARES Act implemented a variety of programs to address issues related to the onset of the COVID-19 pandemic and the Consolidated Appropriations Act continued many of these programs by adding new phases, new allocations, and new guidance to address issues related to the continuation of the COVID-19 pandemic. The Consolidated Appropriations Act (2021) was passed by Congress on December 21, 2020 and signed into law on December 27, 2020.

The Territory was awarded \$50,606,003 to 4 agencies from this Act. The allocations are as follows and includes the second stimulus payment of \$600 to eligible individuals:

	Awarded
BIR	\$46,000,000
DOH	\$3,527,668
VIDE	\$951,638
VIPA	\$126,697

Proposed plan for the use of the approximately \$547 million dollars awarded to the Virgin Islands under the American Rescue Plan Act of 2021

The American Rescue Plan Act (ARPA) of 2021 is a \$1.9 trillion economic stimulus bill passed by the 117th United States Congress and signed into law by President Joe Biden on March 11, 2021, to speed up the United States' recovery from the economic and health effects of the COVID-19 pandemic and the ongoing recession. First proposed on January 14, 2021, the package builds upon many of the measures in the CARES Act from March 2020 and in the Consolidated Appropriations Act, 2021. The Act included issuance of \$1,400 in direct stimulus payments to individuals.

The U.S. Virgin Islands was advanced \$108.7 million to cover the estimated costs of the stimulus payments. The American Rescue Plan Act includes provisions for the administration of the Coronavirus State and Local Fiscal Recovery Funds (CSLFRF). The U.S. Virgin Islands is the recipient of \$547,176,884 through this provision of the statute. Those funds provide a substantial infusion of resources to support urgent response efforts to decrease spread of the virus and bring the pandemic under control, address its economic fallout, and lay the foundation for a strong and equitable recovery. Funding from the Coronavirus State and Local Fiscal Recovery Funds is subject to the requirements specified in the Final Rule adopted by Treasury on April 1, 2022.

As things stand today, the final rule identifies five categories of eligible uses:

▪ **Responding to the public health emergency with respect to COVID-19**

To assess whether a program or service “responds to” the COVID-19 public health emergency, the recipient is required to, first, identify a need or negative impact of the COVID-19 public health emergency and, second, identify how the program, service, or other intervention addresses the identified need or impact.

- **Responding to the negative economic impacts with respect to COVID-19**

In considering whether a program or service would be eligible under this category, the recipient required to assess whether, and the extent to which, there has been an economic harm, such as loss of earnings or revenue, that resulted from the COVID-19 public health emergency and whether, and the extent to which, the use would respond or address this harm.

- **Providing premium pay to eligible workers performing essential work during the COVID-19 public health emergency**

Essential work means work that was not performed remotely while teleworking from a residence; and involves regular in-person interactions with patients, the public, or coworkers of the individual that is performing the work.

- **The provision of government services to the extent of the reduction in revenue experienced due to the pandemic**

The reduction in revenue is measured relative to the revenue collected in the most recent full fiscal year prior to the emergency, which was Fiscal Year 2019.

- **To assist in meeting the critical need for investments and improvements to existing infrastructure in water, sewer, and broadband**

Eligible infrastructure uses must align with the range of types or categories of projects that would be eligible to receive financial assistance through the Environmental Protection Agency's (EPA) Clean Water State Revolving Fund (CWSRF) or Drinking Water State Revolving Fund (DWSRF). Broadband projects. Under the interim final rule, eligible broadband projects are expected to be designed to deliver service that reliably meets or exceeds symmetrical upload and download speeds of 100 Mbps.

I take this opportunity to reiterate that there are some specific restrictions to the use of these funds. The statute provides that recipients may not use Fiscal Recovery Funds for deposit into any pension fund for the purpose of reducing an accrued, unfunded liability. The statute also prohibits the use of Fiscal Recovery Funds to directly or indirectly offset a reduction in net tax revenue resulting from a change in law, regulation, or administrative interpretation during the covered period.

As set forth in the award terms, the U.S. Virgin Islands has until December 31, 2024, to obligate funds provided through the Fiscal Recovery Fund and December 31, 2026, to expend.

As a result, the Administration has given priority to planning, obligating, and expending the funding received under the prior Covid response allotments. A considerable portion of the Fiscal Recovery Funding has been earmarked for infrastructure investments that address our aging water and sewer systems as we are particularly concerned about water and sewer disaster projects that have been denied or delayed through the FEMA and HUD processes. We are also looking for synergies with

projects that will be funded, such as road projects, where there is opportunity to bury water and sewer lines before paving commences.

To date, the Territory has been awarded \$740,438,447 from the American Rescue Plan. The sums received are as follows:

	Awarded
BIR	\$108,700,000
OMB	\$547,176,884
VIHFA	\$28,327,387
EDA	\$56,234,176

Within the \$28.3 Million being administered by the VIHFA, \$8,521,959 is for the Homeowner Assistance Fund, \$4,932,928 is for the Emergency Rental Assistance 1 and \$14,872,500 for the Emergency Rental Assistance 2 programs. The final part of what we have been awarded so far is \$56,234,176 for the State Small Business Credit Initiative which is being administered by the Economic Development Authority.

Resilience & Recovery

The recovery of the Territory remains a priority and the mission to continue to strengthen the Territory's critical infrastructure and positively impact the economy is in full swing. The Office of Management & Budget (OMB) and the Office of Disaster Recovery (ODR) are steadfast in leading the charge of reviewing funding for projects, tracking the progress of those projects, and addressing any issues and roadblocks, all in compliance with federal regulations.

In 2022, approximately 35 large recovery projects were completed including VITEMA's Tsunami Warning System, the installation of brand-new playground equipment at HeadStart facilities territory-wide and the restoration of recreational facilities at Ft. Frederik Beach in Frederiksted. 2023 is a significant year for the recovery as critical projects enter the construction phase to include the Arthur Richards PreK- 8 school on St. Croix and the Charlotte Kimmelman Cancer Center on St. Thomas. Work will also continue on the rehabilitation of the territory's parks and sports facilities.

Currently Emile Griffith, Rudy Krieger and Joseph Aubain parks are all in progress, as well as the libraries and the Walter I.M. Hodge Pavilion, which when completed will bring online 248 units of affordable housing. The Department of Health is also making progress on a new office for

Women Infant and Children at the Knud Hansen Complex on St. Thomas and WAPA is diligently working on its installation of new generators at the Randolph Harley Substation.

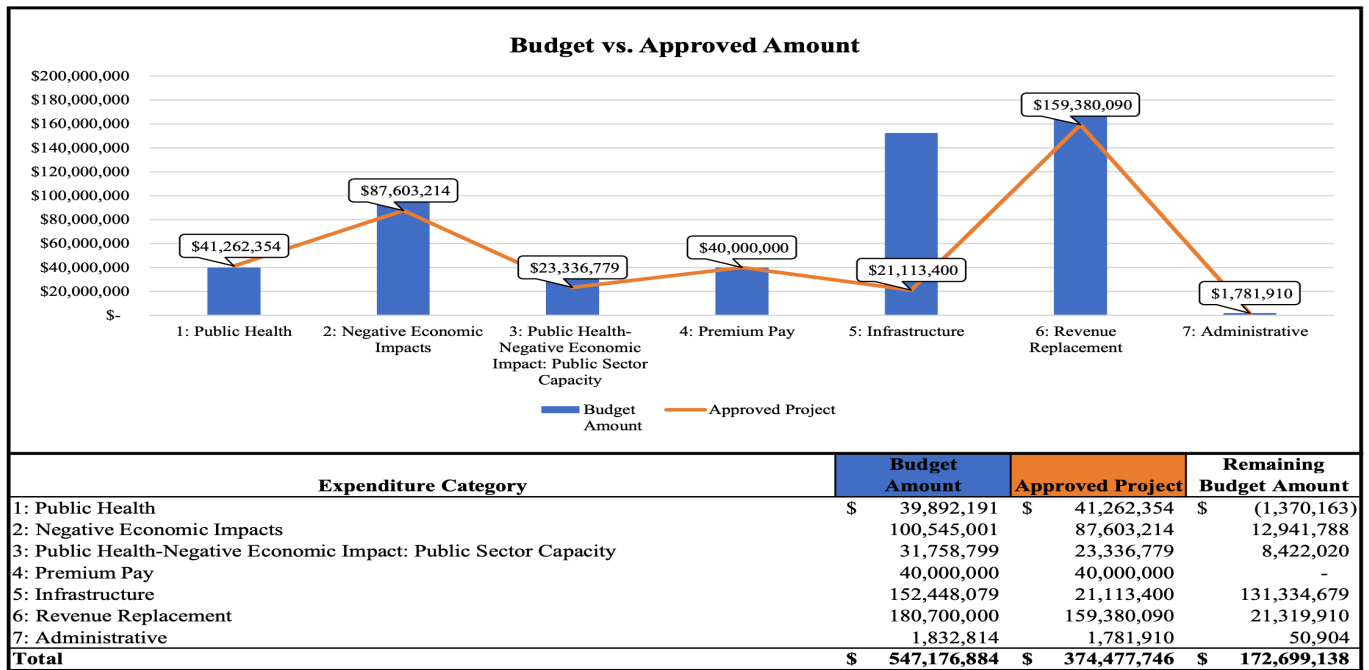
Overall in 2023, ODR projects the completion of 44 projects and anticipates the start of over \$930 million in recovery projects this year. Coupled with projects already in progress, over \$1.63 billion is projected to be expended in FY 2023. This would result in \$81.3 million in gross receipt taxes anticipated from disaster recovery projects.

All in all, the territory now anticipates more than \$12 billion in recovery funding because of the 2017 Hurricanes. To date \$7.4 billion of those funds have already been allocated and in 2022, the territory expended over \$460 million in recovery funding. In total, \$5.9 billion has been obligated from various federal sources, and over \$2.9 billion has been expended to date.

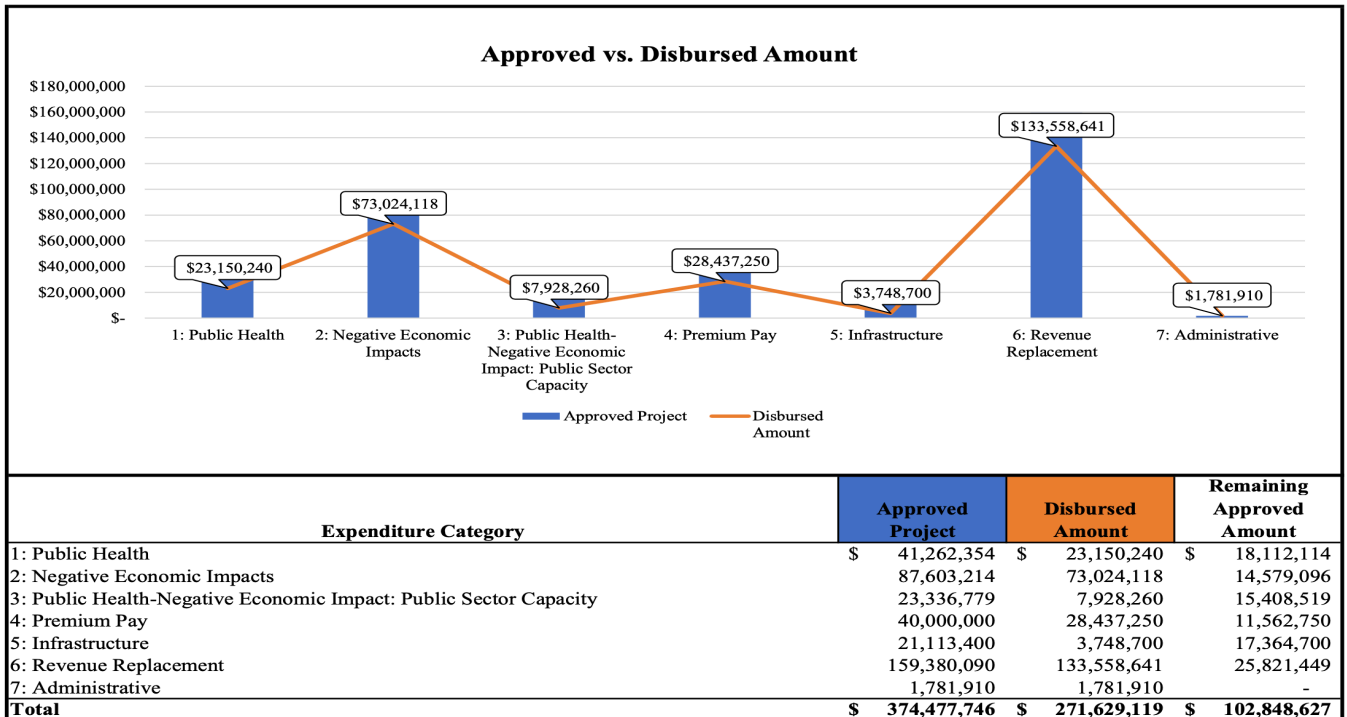
Though progress is being made, it is not without its challenges. The recovery continues to manage the effects of rising inflation, the impact of supply chain issues, local match shortfalls, deficiencies in building capacity and increasing construction costs. Nevertheless, we remain steadfast in our mission to ensure the start and completion of critical projects, make sure projects meet deadlines, and track invoices to secure timely payments.

As of May 3, 2023, SLFRF Funds have been allocated to the authorized expenditure categories, as displayed below:

United States Virgin Islands
Office of Management & Budget
American Rescue Plan Act
SLFRF



United States Virgin Islands
Office of Management & Budget
American Rescue Plan Act
SLFRF



Of the approximate \$547M the territory has received, roughly \$374.5M has been obligated for specific projects and uses, leaving approximately \$172.7M to be obligated. The obligated amount equates to approved projects totaling \$374.48M in different areas and of that sum, we have disbursed \$271.6M, leaving a balance of just under \$103M to be disbursed for those approved projects.

This Body will appreciate that the approved and disbursed amounts continue to change every week as new projects come online and payments are made. Some key projects that are in the pipeline to be approved are a number of water line expansion and sewer projects that will significantly enhance what is currently in place by WAPA and the Virgin Islands Waste Management Authority, however we are ever cognizant of our timelines and will ensure that all projects are in fact obligated by the December 31, 2024 deadline and that we expend all \$547M by December 31, 2026.

Relative to the Infrastructure, Investment & Jobs Act (IIJA), you will note that to date, \$148.3 million in Bipartisan Infrastructure Law funding has been announced for the U.S. Virgin Islands with over 9 specific projects identified for funding. Since the Law passed, \$55.9 million has been announced for transportation and roughly \$32 million for clean water infrastructure projects in USVI. And, as of today, more than 4,000 households across the territory are receiving affordable high-speed internet.

Based on formula funding alone, U.S. Virgin Islands is expected to receive approximately \$96 million over five years in federal funding for *highways and bridges*. To date, \$18.4 million has been announced for roads, bridges, roadway safety, and major projects. This includes:

\$18.4 million in highway formula funding for bridges in 2022 and 2023 and \$25 million through the RAISE program in 2022 and 2023.

Internet: U.S. Virgin Islands will receive a minimum allocation of at least \$100 million to help ensure high-speed internet coverage across the territory.

Water: To date, \$32 million has been announced for the U.S. Virgin Islands to provide clean and safe water across the territory and improve water infrastructure. This includes \$32 million available in fiscal years 2022 and 2023 to provide clean and safe water across the territory through the Environmental Protection Agency. Of this funding, \$13.6 million is dedicated to lead pipe and service line replacement, with another \$8.6 million for safe drinking water investments that can also support lead pipe replacement in fiscal year 2022 and 2023. Additionally, on April 4, 2023, the U.S. Virgin Islands was awarded an additional \$45,565,000 through the Drinking Water State Revolving Fund to upgrade drinking water treatment systems, which is imperative for healthy communities.

Public Transit: Based on formula funding, the U.S. Virgin Islands would expect to receive approximately \$17 million over five years under IIIA to improve public transit across the territory. To date, the U.S. Virgin Islands has been allocated \$3.4 million to improve public transportation options across the territory in fiscal year 2022 and 2023.

Clean Energy & Power: Power outages cost the U.S. economy more than \$70 billion annually. To date, approximately \$6.9 million has been allocated to the U.S. Virgin Islands for clean energy, energy efficiency, and power in 2022 and 2023. This includes \$1.7 million for weatherization; \$1.6 million through the Energy Efficiency and Conservation Block Grant Program; and \$1.1

million to prevent outages and make the power grid more resilient. Additional grid funding will be made available in the coming months.

Airports: The IIA invests \$25 billion in airports to replace and modernize airport infrastructure. To date, the U.S. Virgin Islands has received approximately \$6 million in 2022 and 2023 for airports.

Ports and Waterways: Like airports, our ports and waterways are in need of repair and investment. To date, we have received roughly \$45.5M in 2022 and 2023 for ports and waterways.

Resilience: Millions of Americans feel the effects of climate change and extreme weather every day. More frequent hurricanes, wildfires, heat waves, floods, unprecedented power outages, and persistent droughts devastate our communities and threaten our infrastructure. To date, approximately \$53.6 million has been allocated to U.S. Virgin Islands for infrastructure resilience in 2022 and 2023 including \$52.2 million through the Army Corps of Engineers for flood mitigation. Additionally, on April 21, 2023, Vice President Harris announced that the Department of Commerce has recommended \$14.3 million for projects across the U.S. Virgin Islands to make communities and the economy more resilient to climate change, as part of the Investing in America agenda.

They include:

- Multi-Site Coral Reef Restoration to Build Resilient Communities in Florida, Puerto Rico, and the U.S.V.I *Coral Restoration Foundation: \$6.9 million*
- United States Virgin Islands Transformational Reef Restoration *The Nature Conservancy: \$6.6 million, and*

- Residential Erosion Control: Restoration in Vulnerable U.S. Virgin Islands Communities
U.S. Virgin Islands Department of Planning and Natural Resources: \$878,000

Finally, the Inflation Reduction Act which is touted as the most significant legislation in U.S. history to tackle the climate crisis and strengthen American energy security, is designed to lower energy costs for households and businesses, create jobs for American workers, and deliver a clean, secure, and healthy future for our children and grandchildren. The savings, jobs, and other benefits provided by this legislation will reach communities across the U.S. Virgin Islands.

Among other things, it will lower prescription drug costs and cap the maximum out of pocket costs that seniors will have to pay, and lower energy costs to make it more affordable for families in the U.S. Virgin Islands to purchase energy efficient appliances when they need to, make repairs around their homes, and save money on their utility bills each month, including through rebates covering 50-100% of the cost for low-and moderate-income households to install new electric appliances.

With all of this Mister Chair, you can imagine that there is much work to be done across many fronts, including keeping track of all funding awarded and ensuring timely spending. I hope that my testimony has brought some clarity to the status of the recovery projects within the Territory and the associated funding received.

This concludes my testimony. I remain available to respond to questions.