

**UNITED STATES VIRGIN ISLANDS
OFFICE OF DISASTER RECOVERY**



TESTIMONY

**House Transportation &
Infrastructure
Committee:**

**Subcommittee on
Economic Development,
Public Buildings, and
Emergency Management**

**PRESENTED BY:
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DIRECTOR
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Good Morning, Chairman Peter DeFazio, Ranking Member Sam Graves, and Members of the Committee on Transportation and Infrastructure Subcommittee on Economic Development, Public Buildings, and Emergency Management. I am Adrienne L. Williams-Octalien, Director of the Office of Disaster Recovery in the U.S. Virgin Islands. Thank you for holding this hearing and for the opportunity to provide testimony on the status of the Virgin Islands recovery five years after the devastating 2017 hurricane season.

Hurricanes Irma and Maria brought a tremendous amount of damage to the Virgin Islands but also provided the opportunity to rebuild an aged infrastructure and create resiliency. While there has been significant progress in advancing recovery efforts, the Territory remains in a fragile state. There is work left to be done on many of our critical facilities, including hospitals and schools, but the rebuilding efforts are in full swing. The accomplishments to date have been achieved despite significant challenges related to federal bureaucratic processes and a global pandemic, which exacerbated the already acknowledged complexity of recovering from back-to-back Category 5 storms.

With damages estimated to be over \$11B, which is, nearly three times the annual gross domestic product, the Territory anticipates receiving \$8 - \$10B through various federal programs over the next five years to aid in the recovery. To date, \$5.6B of the anticipated \$8B has been obligated to the Territory. \$2.7B of those funds have been expended. The Territory anticipates receiving this funding from four main federal programs, including the FEMA -Public Assistance and Hazard Mitigation Grant Programs, HUD-Community Development Block Grant– Disaster Recovery Program and Federal Highway Emergency Relief Program, along with other disaster-related funds from various federal entities.

With a portfolio of over 1,500 projects, at least 783 hurricane recovery projects have been completed to date and over 500 are underway. Progress has not come without its challenges. In October 2019, the Territory was placed on manual draw after the results of a 2018 audit. This required the Territory to submit reimbursement requests to FEMA for approval before gaining authorization to draw funds. This created a significant delay in getting payments out to vendors. In February 2021, FEMA lifted the manual draw requirement for reimbursement spending in the

Territory. The decision demonstrated FEMA's confidence in the Territory's ability to manage its federal recovery dollars.

The geographical makeup and fiscal constraints of the Territory creates a set of unique circumstances not experienced in Any Town, USA. In many instances, these challenges have pushed FEMA into uncharted waters and forced the development of innovative approaches to disaster recovery practices.

Congress recognized these distinct challenges and in 2018, passed the Bipartisan Budget Act (BBA). The BBA allowed for the rebuilding of critical facilities to prevailing industry standards. To date, a total of 92 projects have been requested for replacement through FEMA—46 of which have been approved to include 17 educational facilities and eight healthcare facilities. Additionally, FEMA has approved the replacement of the wastewater system and potable water systems for the island of St. Croix, paving the way for similar considerations for St. Thomas and St. John.

The benefits of the BBA cannot be underscored enough. It has created the genesis for the transformation of a resilient Virgin Islands. Although the BBA provided tremendous opportunities for the Territory, unfortunately, it took FEMA almost a year to release the associated policy guidance to enable the implementation of the laws as Congress intended. These provisions created a complete metamorphosis of how FEMA administers its Public Assistance Program. In its initial stages, the Territory had concerns that the FEMA policies were not aligned with Congress' intent. It was not until the October 2021 FEMA/USVI BBA Summit, held with Governor Albert Bryan Jr., Delegate to Congress Stacey Plaskett, staff of the Appropriations Committee and FEMA leadership, that key policy decisions were made to align more with the intent of Congress. This discussion yielded the obligation of funding for the reconstruction of the first school and addressed questions that impacted funding for healthcare facilities.

It is highly encouraged that timelines are mandated for federal agencies to issue guidelines for any programmatic authorities granted through congressional legislation. The time that it takes to deliver these policies negatively affects the impact of the intended legislation on jurisdictions.

We are, however, still experiencing challenges with agreement on fixed cost offers. The Territory has requested a second summit to address lingering issues related to cost development to ensure that we are maximizing assistance and proper application of BBA provisions as well as gaining clarification on the appeal process for BBA decisions.

As you may be aware, the Territory is not in a position to provide upfront funding for projects. Therefore, it is critical that obligations are in-line with actual costs. Many of these projects will be in construction over the next 5-7 years. With the cost of inflation and supply chain issues that are currently being experienced, the Territory is at great risk for cost overruns for 428-fixed cost projects.

This risk is further heightened by the lack of workforce to support the rebuilding efforts. According to the findings in the RAND Report commissioned in 2019 by FEMA, if every able body in the Territory were working, an additional 5,000 employees would still be required (Culbertson et al., 2020). The Territory has engaged in a number of workforce training initiatives and recruitment fairs but undoubtedly, the workforce demand will heighten as early as 2023.

This phenomenon also impacts the limited pool of contractors that are able to access required bonding for large projects. The Territory has already begun to see the manifestation of this challenge as solicitations for projects are being issued multiple times due to a lack of interest by contractors. It will be necessary to attract off-island contractors to support the volume of projects that is anticipated for the next 3-5 years. However, off-island contractors who are not familiar with the federal requirements and burdensome administrative processes often grow impatient with the time it takes to process payments.

The Territory has found it necessary to leverage multiple federal resources for a project to be feasible. The layering of federal funding is very challenging as agencies become territorial with governing regulations. This inevitably results in contractors including the cost of time and money in bids and has the unintended consequence of driving the cost of the recovery up. The Territory continues to advocate for a waiver of the local match requirement. Under the current situation, the USVI is dedicating \$500M of its HUD CDBG-DR funds to cover the non-federal share of the FEMA Public Assistance projects. This, however, requires the laborious task of having each project reviewed by another federal agency, again delaying payment to contractors. If the 10%

cost share is waived, the USVI can instead redirect these funds to help rebuild homes damaged by the hurricanes and address other critical needs.

The request to waive the match is well in line with the Insular Areas Act. However, multiple requests have been denied by FEMA, as recently as June 2022. The Territory does not have resources to cover local match requirements and even with the allocation of the CDBG-DR funds, additional funds may still be necessary.

Despite the many challenges of the recovery, the Territory is still focused on ensuring that vendors and contractors are paid in a timely manner. This is evidenced by the 2019 petition made to FEMA to allow the Territory to pay on invoice, thereby negating the need to provide proof of payment before drawing reimbursement funds. This eliminated the Territory from seeking loans, lines of credit and other financing mechanisms to commence projects.

Disaster recovery is never fast enough. However, the bureaucratic processes that govern the spending of funds frustrate as opposed to facilitate recovery efforts. To address these concerns, Congress may consider action that identifies one federal agency to review recovery projects for compliance with shared regulations and prioritize the rules and requirements of the primary federal funding source.

It is clear that new flexibilities afforded to programs but executed through the old FEMA model do not meet the level of intended success. The timelines associated with the obligation and expenditure of federal funds are frustrating at best and we should collectively develop an approach to revamp how recoveries are funded. We need to explore closing the gap between FEMA and HUD funding becoming available to disaster-stricken areas this allows for comprehensive recovery planning and execution. In addition, novel solutions for acquiring skilled workers to support recovery efforts from the continental U.S. and other regions of the Caribbean is crucial. Legislation that allows workforce from neighboring Caribbean islands to come to the Territory to accelerate rebuilding efforts is warranted.

Lastly, capacity issues are not only limited to the Territory. Federal agencies are also experiencing the impact of the lack of experienced personnel to assist with the reviewing of recovery projects. Timelines associated with reviewing projects tend to span months before responses are received.

As disasters become more prevalent, it is prudent that we remove the complexities so we can get the resources to the people who need them the most.

The Territory is continuing to lead efforts to rebuild a resilient public infrastructure and positively transform our Territory for generations to come. Moving through the complexity of federal requirements across multiple funding sources and ensuring that projects are funded, monitored, and compliant is an arduous task, but it can be done with our combined support. I would like to thank Delegate to Congress Stacey Plaskett, the Department of Interior, FEMA, HUD and all of our local and federal partners for their continued support. On behalf of Governor Albert Bryan Jr. and the people of the Virgin Islands, I would like to once again thank the members of this body for your support and commitment to the U.S. Virgin Island's Recovery and its quest to "Build a Legacy of Resilience." I remain available to answer any questions you may have.