FUNDING
2017 was the costliest year to date on record for disasters in the United States. As of May 2018, damage to housing, infrastructure, and the economy after Hurricanes Irma and Maria have been estimated at $10.76 billion in the USVI. In response, the US Congress made a series of appropriations in 2017 and 2018 to help fund disaster recovery in the most severely impacted states and territories.

In the wake of the storms, the President announced a Major Disaster Declaration for Irma (DR-4335) and another for Maria (DR-4340) to make federal disaster assistance available to the Territory. In response, Congress approved the Supplemental Appropriations for Disaster Relief Requirements, 2017 (Pub. L. 115-56), which made available approximately $7 billion to fund the Disaster Relief Fund, which funds FEMA assistance. Congress also appropriated $7.39 billion in Community Development Block Grant Disaster Recovery (CDBG-DR) funds to be overseen by HUD. On February 9, 2018, Congress approved a bill appropriating an additional $28 billion CDBG-DR funds, of which $11 billion was set aside to address the remaining unmet needs, including those of the US Virgin Islands and Puerto Rico from Hurricane Maria. The balance of funds within the Bipartisan Budget Act are dedicated to other federal agencies responsible for delivering disaster response and recovery efforts. Funds are allocated to these agencies and then distributed to affected communities either through direct allocation or competitive grants.

In addition to federal funding, resources have been made available from other private and philanthropic sources targeted to specific recovery goals.

As of June 2018, the total USVI hurricane recovery funding is $8.4 billion (actual plus expected; see graphic: Expected USVI recovery funding). Given the complexity of the funding landscape, the Task Force recommendations contemplate a smart and leveraged expenditure of these federal recovery funds, and ongoing partnerships with private property owners, investors, and businesses, along with a realignment of existing territorial projects and funding streams to support a full and resilient recovery. While the Territory awaits additional federal government decisions and guidance about their own expenditures (particularly FEMA) and the use of the bulk of the long-term recovery dollars, this report provides a current snapshot of how that funding is broken out.
HOW FUNDING WORKS

Resources for emergency response and short- and long-term recovery come through two main channels: the Disaster Relief Fund (DRF) and Congressional appropriations. After hurricane events such as the ones that impacted the Territory in 2017, the federal Disaster Relief Fund (DRF) funds FEMA’s operations for support of: (1) the repair and restoration of qualifying disaster-damaged public infrastructure; (2) hazard mitigation initiatives; and (3) financial assistance to eligible disaster survivors.

Congressional appropriations dedicate funds to the DRF, as well as to federal agencies to support emergency response and recovery efforts. Resources appropriated by Congress to federal agencies flow down to corresponding state and territorial counterparts through two main methods—dedicated block grants or competitive grant processes.

While there are multiple sources of funding made available through different channels in the aftermath of a disaster, there are a few key sources that provide the majority of the funding resources. Specifically, these key sources would be: (1) the Federal Emergency Management Agency (FEMA); (2) the US Department of Housing and Urban Development (HUD); and (3) other important sources.

Types of funding resources

<table>
<thead>
<tr>
<th>FEMA</th>
<th>HUD</th>
<th>OTHER</th>
</tr>
</thead>
<tbody>
<tr>
<td>PUBLIC ASSISTANCE</td>
<td>PUBLIC HOUSING AUTHORITIES</td>
<td>SBA LOANS</td>
</tr>
<tr>
<td>INDIVIDUAL ASSISTANCE</td>
<td>CDBG-DISASTER RECOVERY</td>
<td>NFIP</td>
</tr>
<tr>
<td>PRE-DISASTER MITIGATION</td>
<td></td>
<td>PRIVATE INSURANCE, FHWA, FCC, DOI</td>
</tr>
<tr>
<td>HAZARD MITIGATION GRANT PROGRAM</td>
<td></td>
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</tr>
</tbody>
</table>

FEMA

FEMA is the federal agency responsible for emergency response and provision of immediate and long-term recovery resources for individuals and governments. FEMA funding typically flows through three main channels: (1) Individual Assistance, which provides funding to individuals and households so that post-disaster housing and other necessities of life can be obtained by survivors; (2) Public Assistance, which provides grant funding for the repair and/or replacement of damaged public (and certain private nonprofit) infrastructure that local taxpayers would otherwise be responsible for funding; and (3) Hazard Mitigation Assistance, which provides funding to improve local resilience in both the private and public sectors. Each of these will be discussed below in the context of recent happenings in the US Virgin Islands.

FEMA Public Assistance

As indicated above, FEMA’s Public Assistance Program (PA) provides grant funding to state, local, and tribal governments, and certain private nonprofit entities, to allow for the repair and/or replacement of damaged infrastructure. Eligible types of work for PA funding include Emergency Work (debris operations and emergency protective measures) and Permanent Work (permanent repairs and/or replacements of damaged public facilities).

As of August 2018, more than $1.56 billion has been obligated to the Territory under FEMA’s PA Program, with approximately $923.7 million of that total being earmarked for Emergency Work, and $627.3 million designated for Permanent Work.¹

Debris removal operations as a result of the two hurricanes resulted in approximately $135.5 million in costs to be paid for through FEMA’s PA Program, including over 270 vessels in marine debris, over 1,300 transformers (hazardous waste) that were removed and scrapped, along with over 2,800 damaged power poles and almost two million feet of damaged conductor wire, over 7,000 destroyed refrigerators, air conditioning units, and more.

¹ Approximate figures of $965 million for Emergency Work and $591.5 million for Permanent Work are as of June 2018.
## Activities that may be undertaken under FEMA Hazard Mitigation Programs

<table>
<thead>
<tr>
<th>Mitigation project</th>
<th>HMGP</th>
<th>PDM</th>
<th>FMA</th>
</tr>
</thead>
<tbody>
<tr>
<td>Property acquisition and structure demolition or relocation</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
</tr>
<tr>
<td>Structure elevation</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Mitigation reconstruction</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
</tr>
<tr>
<td>Dry flood proofing of historic residential structures</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
</tr>
<tr>
<td>Dry flood proofing of non-residential structures</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
</tr>
<tr>
<td>Localized flood reduction projects</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
</tr>
<tr>
<td>Structural retrofitting of existing buildings and facilities</td>
<td>✔</td>
<td>✔</td>
<td></td>
</tr>
<tr>
<td>Non-structural retrofitting of existing buildings and facilities</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
</tr>
<tr>
<td>Safe room construction</td>
<td>✔</td>
<td>✔</td>
<td></td>
</tr>
<tr>
<td>Wind retrofits</td>
<td>✔</td>
<td>✔</td>
<td></td>
</tr>
<tr>
<td>Infrastructure retrofit</td>
<td>✔</td>
<td>✔</td>
<td></td>
</tr>
<tr>
<td>Soil stabilization</td>
<td>✔</td>
<td>✔</td>
<td></td>
</tr>
<tr>
<td>Wildfire mitigation</td>
<td>✔</td>
<td>✔</td>
<td></td>
</tr>
<tr>
<td>Post-disaster code enforcement</td>
<td>✔</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Generators</td>
<td>✔</td>
<td>✔</td>
<td></td>
</tr>
<tr>
<td>Advance assistance</td>
<td>✔</td>
<td></td>
<td></td>
</tr>
<tr>
<td>5 percent initiatives</td>
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<td></td>
</tr>
<tr>
<td>Mitigation planning</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
</tr>
<tr>
<td>Management costs</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
</tr>
</tbody>
</table>
Emergency Protective Measures are part of FEMA PA. They are generally thought of as those measures necessary before, during, and after an event to safeguard public health and safety and to minimize property damage. To date, approximately $552.4 million Category B NON-STEP in Emergency Protective Measures have been paid for through FEMA’s PA Program.

A more recent innovation in Emergency Protective Measures under the PA Program is a program known as the Sheltering and Temporary Essential Power (STEP) Program, which seeks to make emergency repairs to survivors’ homes so that the pressure on public shelters can be reduced. Additionally, studies have shown that STEP aids in shortening the survivors’ reliance on public and social services—as when survivors are able to remain in their property, then the time to complete necessary repairs on the home (of a more permanent nature) is greatly reduced. To date, approximately $235.9 million has been allocated for the STEP program in the Territory. As of June 2018, over 10,000 applications had been received for STEP, about 7,000 initial site inspections had been conducted, and about 2,200 constructions completed.

On the other hand, “Permanent Work” applies to repairs and/or replacement of facilities of a more permanent nature (defined as providing more than five years of improved life for the facility). There are several different categories of permanent work that FEMA will fund, with those categories being: roads and bridges, water control facilities, public buildings and contents, public utilities, parks, recreational and other facilities. To date, FEMA has allotted over $627.3 million for permanent work throughout the Territory, although such permanent work is ongoing and will likely continue for years to come.²

Cost share

To foster state and local engagement and responsibility in the recovery process, the funding of FEMA PA is split into a federal share and a non-federal share, with the non-federal share typically split between the state and local governments as provided by state law. However, in the Territory of the US Virgin Islands, there are effectively no “local government” entities to be dealt with, so any non-federal share would need to be paid for by the Territory itself.

Typically, the federal/non-federal cost shares are arranged in a 75 percent (federal)/25 percent (non-federal) arrangement, but the federal share may be raised in certain cases by the President and in certain cases by FEMA acting under the Insular Areas Act. In response to Hurricanes Irma and Maria, the cost share is as follows:

- Debris Operations—100 percent federal/0 percent non-federal (until September 11, 2018);
- Emergency Protective Measures (non-STEP)—100 percent federal/0 percent non-federal for work completed through May 2018; 90 percent federal/10 percent non-federal for work completed thereafter;
- Emergency Protective Measures (STEP)—100 percent federal/0 percent non-federal through the current end-date of the program (September 11, 2018);
- Permanent Work—90 percent federal/10 percent non-federal.

Note that most federal disaster recovery programs do contain a cost share, which may or may not be different than the cost shares utilized in the FEMA programs discussed in this section. Based on current projections, the projected non-federal share for FEMA programs alone is anticipated to total at least $500 million by the time that all eligible costs are funded. CDBG-DR funding (to be discussed later) is one of the only sources of federal funding that can be used by a state or locality to pay for non-federal share.

FEMA Individual Assistance

The FEMA Individual Assistance Program (IA) provides financial assistance directly to disaster survivors for the necessary and serious needs that cannot be met through insurance or low-interest Small Business Administration (SBA) disaster loans. Assistance to private individuals and households is provided through the IA Program, and was capped at $33,300 per household for Irma and Maria. In total, 20,004 applications for IA assistance were approved by FEMA across the Territory, with FEMA providing over $78.2 million directly to these survivors through IA Individuals and Households Program funding.

² Current estimate is WAPA only; figures for all Permanent Work is estimated to increase substantially.
FEMA Hazard Mitigation Assistance

FEMA funds mitigation measures to prevent or lessen the effects of a future disaster through the Hazard Mitigation Assistance (HMA) Program. In the Stafford Act, Hazard Mitigation is outlined through Section 404 Mitigation and Section 406 Mitigation, which is a part of the Public Assistance Program. Section 404 Mitigation funding is allotted after a disaster is declared, with the amount calculated as a percentage of funding allotted under the PA Program, and this funding may be utilized for any cost-effective project proposed within the area declared by the President to be eligible for such projects. Section 406 Mitigation funding is only available for cost-effective mitigation on disaster-damaged facilities. While costs for Section 406 Mitigation are “wrapped up” into PA funding, funding for Section 404 Mitigation is designated separately by the following program.

Hazard Mitigation Grant Program

The Hazard Mitigation Grant Program (HMGP), part of Hazard Mitigation Assistance, assists in implementing long-term hazard mitigation planning and projects following a presidential major disaster declaration. The HMGP program allows states and territories to receive locally generated mitigation project applications and fund those proposed projects on a competitive basis. As noted above, the amount of funding that a state or territory will receive as a result of HMGP is set as a percentage of the eligible PA funding (15 percent to states/territories with a “standard” FEMA-approved hazard mitigation plan, and 20 percent to states/territories with an “enhanced” FEMA-approved hazard mitigation plan. Funding amounts for HMGP are “locked in” at the 30-day, 6-month, and 1-year date after the disaster.

As a result of Hurricanes Irma and Maria, as of June 2018, the current amount available for HMGP in the Territory is “locked in” at $455.9 million. Projects are currently still being evaluated by the Territory for funding under this program. Note that the President has waived any non-federal cost share for HMGP in the Territory as a result of Hurricanes Irma and Maria.

FEMA Pre-disaster Mitigation Program

The FEMA Pre-disaster Mitigation Program (PDM) is designed to assist states and territories in implementing a sustained pre-disaster natural hazard mitigation program. The goal is to reduce overall risk to the population and structures from future hazard events, while also reducing reliance on federal funding in the event of future disasters. This program awards planning and project grants and provides opportunities for raising public awareness about reducing future losses before disasters strike. PDM grants are funded annually by congressional appropriations and are awarded on a nationally competitive basis.

FEMA has approved, though not yet obligated, approximately $6.2 million in PDM grants for four projects in the US Virgin Islands for FY 2017. The four projects are: (1) the Territorial Hazard Mitigation Plan Update; (2) Fire Station Retrofits; (3) King Street Frederiksted Underground Electric Distribution; and (4) Queen Street Christiansted Underground Electric Distribution.

FEMA Flood Mitigation Assistance

The FEMA Flood Mitigation Assistance Program (FMA) provides funds for planning and implementing projects to reduce or eliminate the risk of flood damage to buildings that are insured under the National Flood Insurance Program (NFIP). The FMA program makes awards on an annual basis. While the US Virgin Islands did not receive funding under the FMA program in the 2017-18 funding period, that does not mean that the Territory will not receive such funding in future application cycles.

As of June 2018, more than $2 billion in projects were proposed for FEMA funding and more than $1 billion was obligated under the different funding streams (see table: FEMA disaster recovery funding sources in the USVI). The amounts shown in all categories are simply snapshots in time; all are anticipated to rise significantly as the recovery continues.
Community Development Block Grant-Disaster Relief (CDBG-DR) funding is provided by HUD, with the design that funds are to be utilized for unmet recovery needs where projects are intended to be beneficial to low- and moderate-income housing needs of the impacted jurisdiction. In the sequence of federal funding sources, CDBG-DR resources are to be used as the funding of last resort. This means that communities should maximize the recovery from other federal funding sources, such as FEMA and SBA funding, before dedicating CDBG-DR resources to their “unmet needs.” HUD defines unmet needs as the financial resources necessary to recover from a disaster that are not likely to be addressed by other public or private sources of funds, including, but not limited to FEMA Individual Assistance, FEMA Public Assistance, FHWA Emergency Relief Program, SBA Disaster Loans, and private insurance.

HUD’s funding is generally considered to be more flexible than other sources of federal funding. As an example, CDBG-DR funds can pay for things FEMA will not cover. CDBG-DR is one of few sources of federal funding that can be used as the local match for FEMA PA, HMGP, and other federal recovery funding. However, like other funding sources, CDBG-DR follows a set of rules and regulations on programmatic eligibility. In regard to project eligibility, all CDBG-DR activities must: (1) have a tie to the disaster; (2) meet a HUD Eligible Activity; and (3) meet a HUD National Objective (typically related to housing needs). Along these lines, it is important to note that at least 70 percent of CDBG-DR funds must broadly benefit low- and moderate-income persons and communities.

In regard to the prospective use of CDBG-DR funding in the US Virgin Islands, the CDBG-DR Action Plan outlining the Territory’s proposal for using the funding was submitted for public comment on May 3, 2018, and was based on data locked down on April 27, 2018.
At that time, estimated damage for the US Virgin Islands was $10.76 billion and $3.17 billion in other funding sources had been obligated, leaving a total unmet need of $7.58 billion. Of that, the unmet needs addressed in tranches 1, 2, and 3 of CDBG-DR funding are:

Tranche 1: Housing: $72.0 million
   Infrastructure: $120.5 million
   Economic revitalization: $33 million
   Administration and planning: $17.1 million

Tranche 2: Additional unmet needs: $779 million

Tranche 3: Mitigation: $841 million

The CDBG-DR Action Plan was approved by HUD in early July 2018. After approval, the Territory can access program funds. Program allocations for Tranche 1 have been made, with Tranches 2 and 3 to follow (see table: Program allocations from Tranche 1 CDBG-DR funds).

OTHER FUNDING SOURCES

In addition to the federal funding sources discussed above, there are other funding sources (both federal and non-federal) that may be drawn upon in order to continue the Territory’s recovery.

Small Business Administration loans

The Small Business Administration (SBA) provides low-interest disaster loans to businesses of all sizes, nonprofit organizations, homeowners, and renters, and the program can be invoked even if a FEMA PA or IA
declaration is not granted. SBA disaster loans can be used to repair or replace items damaged or destroyed in a disaster, including residential property, personal property, machinery and equipment, and inventory and business assets. Homeowners may apply for up to $200,000 to replace or repair their primary residences, and both renters and homeowners may borrow up to $40,000 to replace or repair personal property, such as clothing, furniture, cars, and appliances. As of June 2018, total SBA loans approved for Irma and Maria stood at $523.5 million (see table: SBA loans approved).

### SBA loans approved


<table>
<thead>
<tr>
<th>Area</th>
<th>Hurricane Irma</th>
<th>Hurricane Maria</th>
<th>Combined</th>
</tr>
</thead>
<tbody>
<tr>
<td>Home</td>
<td>$209.7</td>
<td>$188.5</td>
<td>$398.2</td>
</tr>
<tr>
<td>Business</td>
<td>$74.3</td>
<td>$43.2</td>
<td>$117.5</td>
</tr>
<tr>
<td>Economic Injury</td>
<td>$6.3</td>
<td>$1.6</td>
<td>$7.8</td>
</tr>
<tr>
<td>Total</td>
<td>$290.3</td>
<td>$233.3</td>
<td>$523.5</td>
</tr>
</tbody>
</table>

Federal Highway Administration

### Emergency Relief

The Federal Highway Administration (FHWA) also offers several funding programs, including an Emergency Relief program (FHWA-ER). FHWA-ER is for the repair or reconstruction of federal aid highways and roads on federal lands that have suffered serious damage as a result of: (1) natural disasters or (2) catastrophic failures from an external cause. FHWA-ER funds have the following federal share requirements for permanent work: 90 percent for interstates and 80 percent for all other federal aid highways. Since the US Virgin Islands has no interstates, the federal share for permanent work is expected to be 80 percent. For costs incurred in the first 180 days after the disaster, the federal share for FHWA-ER is normally 100 percent. Therefore, the FHWA-ER “quick release” funds made available in November 2017 and January 2018 were not subject to the non-federal cost share requirement. As of March 21, 2018, projects that may be FHWA-ER eligible have been identified in the amount of $32 million, and $8.4 million in funds have been obligated at 100 percent federal cost share.

Federal Communications Commission

On March 6, 2018, the Federal Communications Commission (FCC) proposed providing funding to US Virgin Islands’ telecommunications providers for repair and hardening of telecommunications infrastructure. On August 7, 2018, the FCC announced the first round of allocations for both Puerto Rico and the USVI. The USVI funding was for $13 million of the over $200 million that was initially committed. The awards were issued in four categories as follows:

- Fixed Services: Viya, $6.9 million;
- Conditional Fixed: AT&T, $2.7 million; Broadband VI, $0.9 million; LAN Communications, $0.2 million;
- Mobile: AT&T, $4.7 million; Choice (Viya), $0.4 million;
- Conditional Mobile: Viya, $0.1 million.

No indications as to the issuance of Stage II funding were available as of the printing of this report.

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4 $1.2 million for Christiansted Streets and $1.5 million for Frederiksted Streets.
US Department of the Interior

The US Department of the Interior’s Office of Insular Affairs (DOI-OIA) has indicated that it will provide the US Virgin Islands with hurricane recovery funds of between $4 million and $6 million. On March 18, 2018, the DOI-OIA announced that $2.7 million of these funds would be dedicated to structural repairs to public schools, road rehabilitation on St. Croix, and upgrades for meter-reading technology for the Virgin Islands Water and Power Authority (WAPA). These funds can also be used to fund the local match for hazard mitigation grants under FEMA HMGP.

US Department of Agriculture

The US Department of Agriculture (USDA) provides low-interest disaster loans, loan guarantees, technical assistance, and grant assistance to rural communities, rural homeowners, rural small businesses, nonprofit organizations, rural renters, farmers, ranchers, and rural families impacted by natural disasters through many of its agencies and programs. Prominently among USDA programs, Rural Development (RD) can assist with providing priority hardship application processing for rural single-family housing for FEMA-managed emergency housing assistance programs. Additionally, under a disaster designation, RD can issue a priority letter for next available USDA multi-family housing units at properties across the country. Many RD programs can help provide financial relief to rural communities hit by natural disasters by offering low-interest loans to rural community facilities, rural businesses and cooperatives, and rural utilities.

Natural Resource Conservation Service

For declared natural disasters that lead to imminent threats to life and property, the Natural Resource Conservation Service (NRCS) can assist local government sponsors with the cost of implementing recovery efforts like debris removal and streambank stabilization to address natural resource concerns and hazards through the Emergency Watershed Protection Program. The NRCS Environmental Quality Incentives Program (EQIP) provides financial assistance to repair and prevent excessive soil erosion that can result from high rainfall events and flooding. Conservation practices supported through EQIP protect the land and aid in recovery, can build the natural resource base, and might help mitigate loss in future events.

Economic Development Administration

On April 10, 2018, the Economic Development Administration (US EDA) announced grant funding available to eligible entities to address economic challenges faced by the US Virgin Islands as a result of Hurricanes Irma and Maria. Grants will be made on a competitive basis under EDA’s Economic Adjustment Assistance (EAA) Program. Through this program, EDA can support both the development of disaster recovery strategies and the implementation of recovery projects identified with those strategies, including construction activities. Disaster recovery project activities that can be eligible for Disaster Supplemental grants include, but are not limited to, economic development projects that:

- Support the creation of new businesses and jobs in a variety of industry sectors, including, but not limited to, advanced manufacturing, agriculture, energy, information technology, health care, telecommunications, tourism and recreation, transportation, and cultural and natural assets;
- Implement local and regional job creation and growth and economic diversification strategies targeted towards affected workers and businesses;
- Increase the ability of a community or region to anticipate, withstand, and bounce back from future economic injuries and disasters. This may include: ensuring redundancy in telecommunications and...
broadband networks; promoting business continuity and preparedness; industrial diversification; employing safe development practices in business districts and surrounding communities; conducting disaster recovery planning with key stakeholders; and other methods that strengthen the Territory’s capacity to troubleshoot and address vulnerabilities within the regional economy;

- Engage in construction activities, including the restoration of damaged infrastructure, infrastructure enhancement, and building new infrastructure, including high-performance and resilient infrastructure;

- Strengthen or develop existing or emerging industry clusters;

- Develop business incubator programs;

- Enhance access to and use of broadband services to support job growth through business creation and expansion;

- Develop economic development diversification strategies in accordance with EDA CEDS recommendations;

- Facilitate access to private capital investment and provide related capacity building and technical assistance such as effective utilization of capital investment for business development and job creation;

- Facilitate and promote market access for goods and services created and manufactured by businesses in the impacted community or region.