Why we don't have municipal governments in the USVI: "The Smoking Gun"

Follow the Money

Federal Funding Access for USVI Municipal Corporations

Because the Government of the Virgin Islands (GVI) currently serves as both the "state" and the only "local government," federal programs written for units of general local government have no eligible applicant in the territory other than the GVI itself. Chartered municipalities would change that.

Pools a municipality could apply to directly

These are national competitions open to any eligible local government. A new municipality adds another eligible applicant rather than dividing an existing USVI allocation, and small communities frequently receive priority scoring.

- **USDA Rural Development — Water & Waste Disposal Loans and Grants** (communities of 10,000 or fewer): drinking water, sanitary sewer, solid waste, and stormwater drainage.
- **USDA Rural Development — Community Facilities Direct Loans and Grants** (communities of 20,000 or fewer; priority for 5,500 or fewer): town halls, fire and police stations, clinics, public markets, and equipment.
- **Economic Development Administration — Public Works and Economic Adjustment Assistance**: waterfront, port-adjacent, and commercial-district infrastructure.
- **EPA Brownfields Assessment and Cleanup Grants**: derelict and contaminated properties in the historic town core.
- **Department of Transportation discretionary grants** that list local governments as eligible: street, safety, and pedestrian-connection projects.
- **Fire and police staffing and equipment grants**: available only if the municipality operates its own department.

Pools passed through the territory

***The Smoking Gun*:**
***Think about $22+Billions committed and mostly unspent to rebuild "the Territory"*:**
Allow local decision-making by local elected representatives about funds for local improvements and programs?
Governor and Legislature to their subjects living in the towns in the Territory -
No way! How can we trust you to decide how to spend the money?)

In these programs the GVI remains the federal grantee and municipalities would compete within the territory's own queue as sub-recipients. The Community Development Block Grant is the principal example: the USVI receives an insular-area allocation, and *creating municipalities would not increase that amount; it would only change who decides how it is spent*, FEMA mitigation and recovery funds, HOME, and rural transit assistance follow the same structure.

Notable exception — Certified Local Government (CLG). Under the National Historic Preservation Act, **state-level historic preservation offices (a role the territory fills) must pass through at least 10 percent of their annual Historic Preservation Fund allocation to certified local governments. Christiansted's National Historic Site setting and historic district make it a strong candidate for certification, which would create a dedicated, recurring stream of money that does not exist today.**

Where competition with the central government would arise

• **Discretionary programs that limit applications per jurisdiction or favor a single coordinated plan.** GVI agencies and a municipality could pursue the same project types in the same competition.
• **Matching funds.** Federal law (48 U.S.C. § 1469a) permits agencies to waive up to $200,000 of required local match for insular areas. Whether a municipal corporation qualifies as part of the "insular area" for this waiver is an open legal question that the legal authority brief should resolve. If municipalities are excluded, they would face a cost the GVI does not.
• **Borrowing capacity.** USDA loans require a pledged repayment source. A municipality with dedicated revenue could prove more creditworthy than the GVI — an advantage, but one that depends on closing the fiscal drafting gaps identified in the package consistency review.

Recommendations for the Act

• Define municipal corporations expressly as units of general local government and public bodies with authority to apply for, receive, and administer federal financial assistance in their own name.
• Establish a coordination mechanism — such as a joint federal grants office or a right-of-first-application rule — so municipalities and territorial agencies do not submit competing applications.
• Authorize municipalities to pledge dedicated revenues for federal loan repayment and to maintain Single Audit–compliant financial systems.
• Direct the territorial historic preservation office to pursue CLG certification for Christiansted–Gallows Bay upon incorporation.
• Obtain a legal opinion on the application of 48 U.S.C. § 1469a match waivers to municipal corporations.

The Devolution Revolution will begin when:
1) The incoming Governor-elect directs the Governor-elect's Transition Team to assemble:
2) A Task Force of leaders from the executive branch, the legislative branch and volunteer representatives from each of the prospective charter municipalities -
3) To work together and with members of the public throughout the Territory, to develop input regarding adoption of a Municipal Corporations Act and a Territorial Energy Authority (TEA) Act,
4) to be considered during the Section 16 (b) mandatory Governor's examination of the organization of the executive branch… and shall make such changes therein, subject to the approval of the Legislature…as the Governor determines are necessary to promote effective management and to execute faithfully the purposes of the 1954 Revised Organic Act and the laws of the Virgin Islands; and,
5) On Day 1 of the 2027 37th Legislature, the inaugurated Governor sends such vetted draft legislation to the Legislature for Introduction and Consideration under Regular Order.

*Devolution - the transfer or delegation of power to a lower level, especially by central government to local or regional administration.