FISCAL YEAR 2026 BUDGET OVERVIEW TESTIMONY

EMPOWERING PROGRESS: *Revitalization, Sustainability, & Financial Stability*

Presented by

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On Behalf of the Governor's Financial Team

Good morning the Honorable Senator Novelle E Francis Jr, Chairman of the Committee on Budget Appropriations and Finance, member of the Committee on Budget Appropriations and Finance, other members of the 36th Legislature and the viewing and listening audience.

I am Julio A. Rhymer Sr, Director of the Office of Management and Budget. Today I am joined by my colleagues from the Department of Finance, Commissioner Kevin McCurdy, Director Joel Lee the Director, Bureau of Internal Revenue, Director Cindy Richardson, Director of the Division of Personnel, Joss Springette, Esq, Chief Negotiator at the Office of Collective Bargaining, Mr. Brent Leerdam, Tax Collector, Mr. Ludence Romney Sr. Tax Assessor at the Office of the Lieutenant Governor, Mrs. Adrienne Williams-Octalien, Director of the Office of Disaster Recovery, Mr. Nathan Simmonds, Director of Finance and Administration at the Public Finance Authority and Dr. Haldane Davies, PhD Director of the Bureau of Economic Research.

On Behalf of Governor Albert Bryan Jr., we present the proposed FY 2026 Executive Budget.

Introduction

Included in the proposed General Fund fiscal year 2026 budget of $936,426,140 there are efforts to enhance the core agencies. We have taken a highly conservative approach due to the many uncertainties driven by the current environment in U.S. Government. This uncertainty is driven by cancellation or pauses placed on grants within various agencies throughout the US Government that impact local Government agencies. As you are aware, the current economic environment is fluid due to the impact of tariffs. As we go through this budget cycle, there will be a need to adapt due to the fluidity of the political and economic environments.

Local Revenues

The five major local revenue categories show varied growth and reductions compared to the fiscal year 2025, with a year-end estimate of $893,960,287. The forecast for fiscal year 2026 takes a conservative approach due to domestic and global environments that could adversely impact the U.S. Virgin Islands economy and the restructuring of the U.S. Federal Government and takes consideration of the numerous capital projects underway in fiscal year 2026.

Personal Income Tax (PIT)

Individual Income Tax (PIT) collections indicate a projected decrease of 2% from the fiscal year 2025 projection of $423.4 million to $414.1million for fiscal year 2026. This conservative projection is deemed prudent due to the unpredictable national and global economic climate, as well as potential political developments that could significantly impact the U.S. Territory of the Virgin Islands. However, the initiation of construction in Capital Projects slated for Mitigation and Disaster Projects in a projected amount of $78.5 million versus $13.5M for 2025 could realize a potential increase in collections amount to $492.5 million, or approximately 12.7%.

Corporate Income Tax (CIT)

Corporate Income Tax (CIT) collections indicate a projected decrease of 5% from the fiscal year 2025 projection of $78.8 million to $74.8 million for fiscal year 2026. This conservative projection is deemed prudent due to the unpredictable national and global economic climate, as well as potential political developments that could significantly impact the U.S. Virgin Islands. However, the initiation of Capital Projects slated for construction in FY 2026 may help mitigate these negative economic impacts on the Territory.

Real Property Tax (RPT)

Real Property Tax collections indicate a projected increase of 2.5% from the fiscal year 2025 projection of $64 million to $65.6 million for fiscal year 2026. This optimistic projection is supported by the steady growth in real property values and the continued strength in demand. The economy's positive performance in this sector is expected to contribute to higher anticipated collections in property tax.

Gross Receipts Tax (GRT)

Gross Receipts Tax (GRT) collections indicate a projected increase of 3% from the fiscal year 2025 projection of $213.8 million to $220.2 million for fiscal year 2026. This upward trend is attributed to the anticipated capital project bundles and construction activities slated for fiscal year 2026, which are expected to contribute positively to the revenue collections. To include Gross Receipts Tax collected from Mitigation and Disaster Recovery projects estimated at $48.9 million versus $22.06 million for FY 2025, the potential collections increase will be $269.2 million, or 14%.

Excise Tax (ET)

Excise Tax collections indicate a projected increase of 1.5% from the fiscal year 2025 projection of $36.4 million to $37.0 million for fiscal year 2026. This sustainable growth trajectory is attributed to the tourism sector and planned construction industry activities slated for fiscal year 2026. These factors are expected to contribute positively to the revenue collections. To include Excise Tax collected in an amount of $11.7 million from Mitigation and Disaster Recovery projects, the government could realize a potential total collections increase of $48.7 million, or 33.7%.

Other notable revenue increases can be found in various areas including the Hotel Tax/Non-Hotel Tax, with slight increases in the preliminary actuals from fiscal year 2025 $44.4 million to revenue projections of $45.7 million, or approximately 3%, in fiscal year 2026. While Hotel and Non-Hotel Taxes are not part of the General Fund, this growth shows stability for the Tourism Revolving Fund. These funds are being tracked, along with other local funds, to provide an overall total revenue projection that aligns with proposed appropriations.

Please note that legislation passed in late fiscal year 2025 will enable additional collections of new revenues that were not accounted for in the fiscal year 2026 projections, as well as prior fiscal years. While some decreases are anticipated, it is important to recognize that these additional revenues will help mitigate the projected decreases in local taxes for the fiscal year. These new revenues will also be identified in future revenue calculations.

Overall, the General Fund Revenue projections of $864,132,155 for fiscal year 2025 have increased to a projected $936,426,140, or 7.7%, for fiscal year 2026. Additionally, while the General Fund is projected to collect net revenue, the gross Revenue collections are projected at $1,027,803,846.

The FY 2026 budget predictions remain mostly consistent with those of the previous year, however, there is a notable change concerning the Department of Justice (DOJ). The DOJ has requested funding for a new Child Support payment system to meet the changing demands outlined in their grant Final Rule. The proposed budget for this system is $12 million, with a normal 66% / 34% match requirement. At this time, no communication has been received indicating whether the grantor will approve the proposed funding; however, it has been recommended that a Special Fund (non-General Fund sources) be utilized for the 34% match.

It is also important to note that spending on one-time grants such as the American Rescue Plan Act (ARPA) and COVID-19 grants decreases the budget availability presented, but these temporary grants have not led to major adjustments in long-term predictions.

Budget Overview – All Funds

The proposed Fiscal 2026 budget from the Government of the Virgin Islands includes expenditures totaling 1,759,678,223. This amount includes appropriated and non-appropriate funds as follows:

General Fund:	$ 936,426,140
Other Appropriated Funds:	$ 68,806,879
Federal Funds:	$ 691,867,747
Other Non-Appropriated Funds	$ 62,577,457
Total Budget:	**$1,759,678,223**

Federal Grants

The total federal grants funding projected to be available to the territory for fiscal year 2026 has increased significantly by 237% reaching $20,652,795,692. This is an extraordinary change compared to $8,706,908,404.85 presented in fiscal year 2025. As the previous year the driver for the increase is the additional disaster funding allocated to the territory.

The Office of Disaster Recovery anticipates that $643.5M of the obligated $23 billion will be spent on disaster recovery projects throughout the Territory in FY 2026. This will result in $139.2 million in revenue, $78.5 million in Gross receipts, $48.97 million withholding and $11.69 million in excise taxes. The projections were made based on hazard mitigation and recovery construction activity. These projects include utility, healthcare, infrastructure and educational projects.

In addition to disaster funding, $706,167,458 of the projected total represents non-disaster related federal funds available to the Government of the Virgin Islands. This amount includes $37,129,254 from the Department of Interior's Office of Insular Affairs. This continued support provides the resources towards disaster recovery/mitigation and overall improvement in the Territory.

I would be remiss to not to highlight the environment within the Federal Government continues to be fluid as US Executive Orders have imposed. New requirements and restrictions on federal grant spending or delayed issuance of yearly funding opportunities as languages in the applications are being updated by the granting agencies based on the Executive Orders. These orders have created challenges for grant administrators in complying with changing regulations. As many of these orders are being contested in courts, the FY2026 budget remained consistent in budgeting of the formula grants, with no significant decreases included, due to the unpredictability, and only communicated cancellations were adjusted. As these events unfold, the USVI must remain vigilant and adaptable to potential changes in funding and eligibility criteria, with prioritization of federal spending on the most critical needs while the environment stabilizes.

GVI Debt

The Government of the Virgin Islands is authorized to issue various types of municipal securities, including general obligation bonds and revenue bonds. The revised Organic Act restricts the issuance of general obligation bonds, capping it at 10% of the total assessed valuation of taxable property in the territory. The FY 2024 assessed value of taxable property stands at $15.1 billion, therefore the ceiling of potential obligation debt is approximately $1.5 billion. As of April 30, 2025, the outstanding general obligation debt is $453.1 million, therefore, there is approximately $1.047 billion in general obligation debt capacity available.

The Government of the Virgin Islands currently has a line of credit facility for $150,000,000 with $100 million assigned to hazard mitigation and recovery projects and $50 million for government operations. The outstanding balance of the line of credit as of April 30, 2025, is $89,783,877.72. The line of credit expires December 31, 2026.

As you are aware, the management and issuance of Government debt is by the Virgin Islands Public Finance Authority. The Authority in 2024 had an average of $140.2 million under management and generated $6.4 million in investment earnings.

As of April 30, 2025, the VIPFA was holding an unexpended total of $73 million for capital projects of which $55.6 million was unexpended bond proceeds, $16.4 million was unexpended communities' facilities trust funds and $1 million was from the General Fund.

Rum Cover Over Program for FY 2025 projection is $210 million. The current rate is $10.50 and the Government of the Virgin Islands continues to lobby for the previous rate of $13.25 per proof gallon.

Cashflow

The Government of the Virgin Islands reported a net available cash balance of $75 million, with $59.7 million held in the General Fund and $15.3 million in Special Funds (Bank 2). These figures reflect liquid assets net of issued but uncleared checks.

The Government's Budget Stabilization Fund, a key component of long-term fiscal sustainability, currently holds a balance of $11 million. We remain committed to strengthening this reserve annually, with a target to increase the fund by a minimum of $5 million each fiscal year to enhance resilience against future economic shocks.

The total outstanding vendor payments amounted to $48.4 million, of which $42.2 million is attributable to General Fund and Special Fund (Bank 2) obligations. It is important to note that this figure includes $17 million in monthly health insurance premiums due June 1, which were settled on the final Thursday of May. After adjusting for this payment, the adjusted balance of outstanding vendor payables was approximately $23 million.

The ERP system reported a financial surplus of approximately $2.6 million, with total revenues of $392.3 million against expenditures of $389.7 million, indicating stability and control.

Human Capital

The total number of employees in the Government of the Virgin Islands is 10,008. The current central government employee population stands at 5,887, which includes 3,008 employees in the St. Thomas/St. John district and 2,879 employees in the St. Croix district. Among these are 1,356 unclassified employees, 4,408 classified employees, 44 part-time employees, and 79 per diem employees.

For FY 2025 (to date), the Division of Personnel has processed 2,362 personnel actions, which include 418 hires (of which 221 are new hires) and 225 separations.

Group Health Insurance

In fiscal year 2025, the total insurance coverage, which includes medical, dental, Vision, and life insurance, increased from $206.2 million in FY 2024 to $226.1 million in FY 2025. This represents an increase of approximately $19.9 million, or 9.7%. Employees with single coverage experienced a premium increase of $5.11, while those with family medical and dental coverage saw an increase of $9.31. Retirees under age 65 with single coverage experienced an increase of $6.97, and retirees with family medical and dental coverage saw an increase of $12.24.

Currently, employees are contributing a cost share of 27% instead of 35%, with the Government covering 73%. Both the employer and employee share has increased by 4% in fiscal year 2025. The Health Insurance Board is in the process of negotiating new contracts; however, based on current claims experience, it is anticipated there will be a rate increase for FY 2026, effective October 1, 2025. The Division of Personnel and the Health Insurance Board will be reviewing options at the next board meeting later this month.

Currently, there are 14,146 members covered under the health insurance plan:

- Active Enrollment: 7,028
- Retiree Enrollment: 7,118
- We have over 25,000 individuals covered (including dependents) under the Government insurance plan.

From October 1, 2024 (to date), the total payment to all carriers has been $105,695,077.55, broken down as follows:

- Cigna: $83,607,707.14
- United Healthcare (UHC): $13,431,741.20
- Standard Life: $8,039,659.85
- Standard Vision: $436,921.29
- Cigna Supplements: $179,048.16

So far, the employer share paid to Cigna is $61,033,626.22, while the employee share paid to Cigna is $22,574,080.93. The employer share paid to United Healthcare (UHC) is $9,805,171.08, and the employee share paid to UHC is $3,626,570.13.

Collective Bargaining

The Office of Collective Bargaining (OCB) continues to negotiate with the various unions for wages and other terms of employment. Currently, OCB is in negotiations with 15 bargaining units and completed negotiations on five (5) bargaining units for this fiscal year.

1. IAMAW for Enforcement Officers and other non-supervisory employees at the Waste Management Authority;
2. OVILU for employees at the Department of Agriculture;
3. OVILU for employees at the Department of Justice;
4. USW for supervisors at the Waste Management Authority; and
5. USW for 911 emergency center operators at VITEMA.

Retroactive Wages

In accordance with Act #8985, to date $19 million has been paid in retroactive wages to all retired and current employees. The Division of Personnel continues to process survivor claims once all required documents are received.

In summary, the current fiscal outlook reflects prudent financial management, underscored by positive operating margins, strategic use of liquidity resources, and a commitment to building long-term reserves. We continue to monitor and manage both local and federal funding streams to maintain operational integrity and advance the Territory’s fiscal health.

Conclusion

In conclusion, the submission of the Proposed Executive Budget for Fiscal Year 2026 titled “Empowering Progress: Revitalization, Sustainability and Financial Stability”, continues this Administration’s legacy of financial transparency and accountability for the Government of the Virgin Islands. As we look ahead, there must be collaboration to ensure that investments made now and into the future with local and federal funds, place the territory on a firm foundation for growth, resiliency, and improved living conditions for the people of this territory.

Despite the challenges posed by federal regulations, there is a positive aspect for local states and territories. The evolving landscape may provide an opportunity for increased autonomy in decision-making regarding grant spending if provided directly to them. The Government of the Virgin Islands would be able to leverage its knowledge of local needs and environments to make more informed and effective spending choices. This independence would allow for a more customized approach to addressing issues and projects that are most pertinent to our communities.

Overall, due to the uncertainty, we must remain adaptable to both the challenges and opportunities in the Federal grant environment with an aggressive approach to expend all funds in a compliant and timely manner.