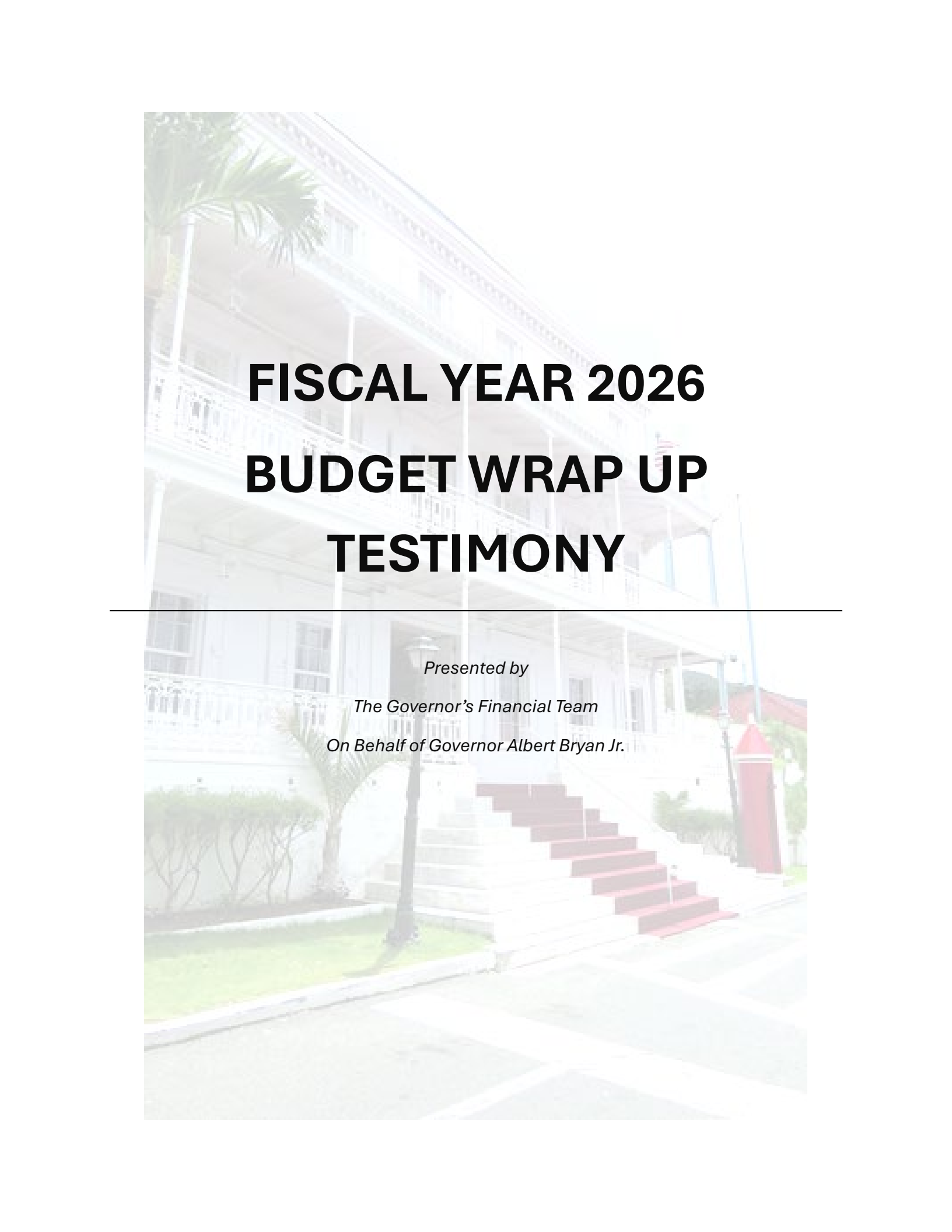




FISCAL YEAR 2026 BUDGET WRAP UP TESTIMONY

Presented by

The Governor's Financial Team

On Behalf of Governor Albert Bryan Jr.

Good afternoon the Honorable Senator Novelle E Francis Jr, Chairman of the Committee on Budget Appropriations and Finance, members 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, the Commissioner of Finance Kevin McCurdy, Director Joel Lee of the Bureau of Internal Revenue, Director Cindy Richardson, 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 final testimony on the proposed FY 2026 Executive Budget.

Introduction

Budget Overview FY2026 – All Funds

As previously presented in the budget overview, 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	<u>\$ 62,577,457</u>
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. As with 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.

As of today, we are \$2.2M above FY 2025 projections, resulting in \$19.6 M in GRT. The overall FY2025 goal is \$441M in expenditures which will result in \$22.06M in GRT. We project that we will meet or exceed this target by the end of the fiscal year.

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.

Revenues FY 2025 Forecast

The FY 2025 General Fund revenues are forecasted to be \$889,105,020 versus May 2025 revenue projections of \$893,960,287 which projects a \$4,855,267 reduction in forecasted revenue. The total revenue projected to include special funds to be \$989,429,864 versus a May 2025 revenue projections of \$984,574,596 resulting in a \$4,855,267 overall difference in the May 2025 to current projection. Overall, FY 2025 budget was slated at \$923,396,538 of which the Office of Management and Budget recognized the need for reductions due to a exaggerated budget revenue forecast reduced allotments by a total of \$44,994,135. Therefore our expected forecasted expenses of \$877,402,403 will result in positive revenue vs expenditure in fiscal year 2025 of \$11.7 million dollars.

GVI Debt

Debt Position

The Government currently maintains a line of credit facility totaling \$150 million. Of this amount, \$100 million is dedicated to hazard mitigation and recovery projects, and \$50 million is allocated to government operations. As of August 7, 2025, the outstanding balance on this facility was \$91,070,667.27. The line of credit is scheduled to expire on December 31, 2026. This leaves approximately \$58.93 million in available borrowing capacity to address critical needs, as necessary. Be mindful, a significant portion of the line that is outstanding will be reimbursed by disaster recovery or other federal funds.

Cashflow

Throughout Fiscal Year 2025 cashflow has remained a focus of the financial team. A critical portion of the focus has been managing expenditures. As of August 8, 2025, the Government's net available cash balance totaled \$37.2 million. Of this amount, \$23.6 million is held in the General Fund and \$13.6 million in Special Funds. These figures reflect available cash after accounting for issued but unclear checks.

Our Budget Stabilization Fund, which is a cornerstone of our long-term fiscal resilience, currently holds \$12.6 million. We remain committed to increasing this reserve by a minimum of \$5 million each fiscal year to better prepare for unforeseen economic challenges.

Vendor Payables

The total outstanding vendor payables totaled \$50.1 million as of August 8, 2025, with \$41.0 million attributable to the General Fund and Special Funds. This includes invoices of \$1.8 million from the previous fiscal year.

Expenditures

Year-to-date, as of August 7, 2025, Central Government expenditure payments totaled \$1.2 billion. Note that this includes \$553.0 million of federally reimbursed payments (including disaster recovery and ARPA funds), so the total payments from operating funds through August 7 was \$661.3 million. Of the amount paid, \$807.1 million, or 66.5%, was paid to vendors located in the US Virgin Islands.

Note that total expenditures also include payments for invoices prior to Fiscal Year 2025 totaling \$220 million, of which \$103.5 million were paid with operating funds that were not budgeted for in the current fiscal year. These payments stem from longstanding practices predating this administration, including year-end departmental encumbrances, delayed processing of invoices and contracts, and other unfunded/unbudgeted but necessary mandates.

Fiscal Responsibility and Moving Forward

While our financial position remains stable, we recognize the importance of addressing structural challenges, such as reducing prior-year carryover payables and strengthening our reserves. We will continue to pursue policies that enhance operational efficiency, reduce outstanding obligations, and maintain fiscal discipline.

The implementation of the Chief Financial Officer Executive Order has strengthened the fiscal accountability of the government through ongoing communication with all CFOs throughout the Government. This implementation has already yielded dividends where,

through mandatory reporting, we have been able to reduce outstanding payables over 120 days by nearly sixty percent.

Secondly, as part of this implementation, troubled semi-autonomous and autonomous instrumentalities, cashflow statements are provided weekly to the Office of Management and Budget along with the Department of Finance to provide insight into their finances. This allows the financial team to be aware of any struggles and allows for planning of not only assistance but also forecasting of the allotments and expenditures.

Finally, we are currently in the process of implementing the Fiscal Responsibility Unit that will assist Departments and Agencies that need assistance and guidance to properly budget, forecast and expend funds accurately and efficiently.

With this three-prong approach, our expectations are that accountability, accuracy and efficiency will increase throughout the Government.

Economic Outlook

The economy of the USVI continues to experience recovery and modest growth driven by an expanding tourism sector and increased investments in infrastructural development and diversification. Although population and labor challenges exist from the approximately 14,000 residents born in the USVI who relocated after the economic disasters of 2012, 2017, and 2020, the unemployment rate is steady at 3.5% with a civilian employment of 40,586 as of May 2025. Hotel occupancy rate is at 69.9% and total arrivals, currently at 1,420,851 (June 2025), are projected to remain stable or increase modestly. The consumer price index of 7.1% (2024) is at its lowest since 2020 and GDP per Capita stands at \$54,000 (2022) as a factor of each resident's contribution to the economy.

Continuous growth in the EDA and RTPark economic tax incentives programs, government disaster recovery investments in education, infrastructure, healthcare, and other socio-economic initiatives, and advancements in renewable energy continue to make the territory's economy resilient and on an upward trajectory. While it is anticipated that an unfavorable impact from tariffs and some aspects of the OBBB will be felt across the territory, there are also some favorable outcomes to include the rum cover over and opportunity zones enhancements. Overall, the USVI continues to traverse a path of economic recovery and expansion with tourism growth and diversification in target industry sectors, as identified in the CEDS and Vision 2040.

Human Capital

The total number of employees in the Government of the Virgin Islands is 9,941. The current Central Government employee population is 5,811, which includes 2,866 employees in the St. Thomas/St. John district and 2,945 employees in the St. Croix district. Within this group, there are 1,351 unclassified employees, 4,407 classified employees, 44 part-time employees, 6 temporary employees, and 3 per diem employees.

For Fiscal Year 2025 (to date), the Division of Personnel has processed 3,442 personnel actions, which include 848 hires (of which 433 are new hires) and 340 separations.

Group Health Insurance

The latest update on our combined insurance coverage, which includes medical, dental, vision, and life insurance, shows an increase from \$206.2 million in FY24 to \$226.1 million in FY25, representing a rise of approximately \$19.9 million, or 9.7%.

For dental coverage, the board has implemented a 3% cap for FY25. Currently, there are 7,116 members enrolled in the health insurance eligibility system, Bentek. The enrollment breakdown is as follows:

- Active Enrollment: 6,956
- Retiree Enrollment: 7,116
- Cigna: 1,111
- United Health Care: 6,000

Additionally, our plan covers over 25,000 individuals, including dependents. To date, total payments to all carriers amount to \$134,550,774.82.

Currently the GESC Board is considering plan changes that will take effect on October 1, 2025. The board has proposed Option 4, which would cost the government \$10.4 million and introduce critical changes. Under this option, the employee's premium for single coverage would increase by \$12.13, while the family's premium would rise by \$21.25. However, with this plan structure change, employees will see high deductibles with increases from \$500 to \$2,500 for individuals and from \$1,000 to \$5,000 for families. Notably, a Health Reimbursement Account (HRA) of \$1,000 for individuals and \$2,000 for families will be introduced; with the HRA, a single person will be responsible for paying \$1,500, and the family will pay \$3,000. Co-payments would also change, with specialty visits increasing from \$30 to \$60 and physician visits rising from \$20 to \$30. Please note that members will only be able to access care within the Cigna Open Access Plus (OAP) network and will no longer have the option to see out-of-network doctors.

If the GESC Board selects Option 2, the plan would remain mostly the same, except for changes regarding GLP-1 medication. Under this option, members with single coverage would incur an additional cost of \$28.75, while family coverage would cost an extra \$50.45. This option would cost the government \$20.2 million.

The Board will be meeting on Thursday, August 21, 2025, to make a final decision.

Conclusion

In conclusion, 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 previously stated in my budget overview testimony, 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.

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.