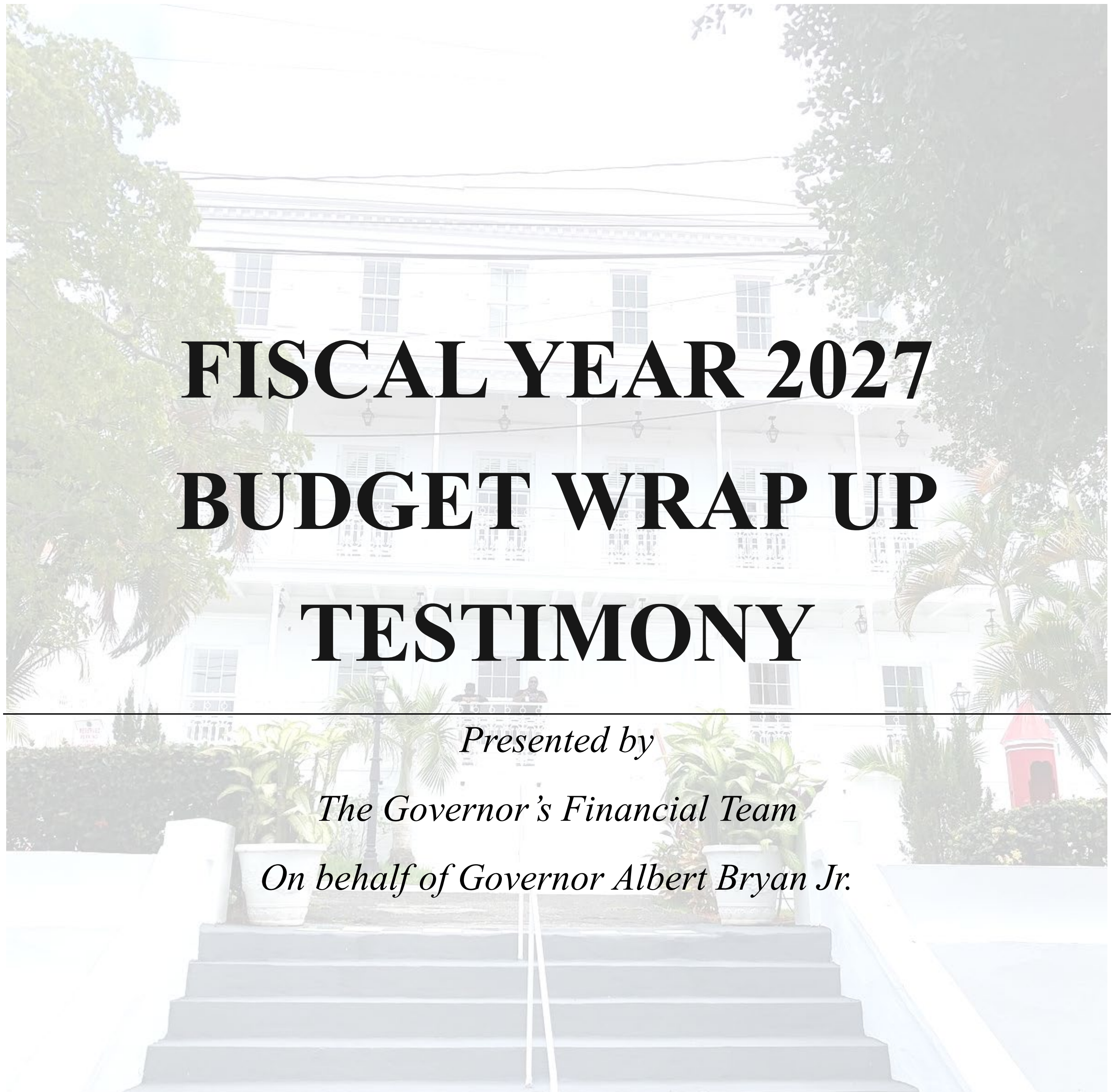

FISCAL YEAR 2027 BUDGET WRAP UP TESTIMONY

Presented by

The Governor's Financial Team

On behalf of Governor Albert Bryan Jr.

FY 2027 Budget Wrap-Up Testimony

Good afternoon, Chairman Novelle E. Francis, Jr., members of the Committee on Budget, Appropriations and Finance, members of the financial team, and the people of the Virgin Islands.

As we conclude consideration of the Fiscal Year 2027 Executive Budget, I want to thank Chairman Francis and the members of this Committee for the thorough review, thoughtful questions, and collaborative dialogue that have characterized this budget process.

The FY 2027 Executive Budget represents more than a financial plan. It reflects our continued commitment to fiscal responsibility, economic growth, infrastructure modernization, housing development, public safety, education, healthcare, and the long-term prosperity of the people of the Virgin Islands.

The Administration has proposed a FY 2027 budget totaling approximately **$1.64 billion**, including approximately **$958 million in General Fund revenues**, **$543.3 million in federal funding**, **$93.4 million in other appropriated funds**, and **$43.6 million in other non-appropriated funds**.

Revenue Update

The revenue assumptions underlying this budget are prudent, conservative, and based on current economic indicators.

For FY 2027, the Government projects:

- **Individual Income Taxes** of approximately **$428 million**, representing growth of approximately 2 percent over FY 2026.
- **Corporate Income Taxes** of approximately **$72.5 million**, remaining relatively stable despite global economic uncertainty.
- **Gross Receipts Taxes** of approximately **$245 million**, reflecting growth of 6.3 percent driven largely by construction activity and economic expansion.
- **Real Property Taxes** of approximately **$56.2 million**, supported by increasing property values and continued demand in the real estate sector.
- **Excise Taxes** of approximately **$43 million**, reflecting growth associated with tourism activity, imports, and construction-related demand.

These projections recognize both the opportunities and risks that exist in today's economy and reflect our commitment to realistic forecasting rather than overly optimistic assumptions.

Expenditure Priorities

The FY 2027 budget continues investments in critical areas that directly impact the lives of Virgin Islanders.

Priority expenditures include:

- Infrastructure modernization and transportation improvements.
- Affordable and workforce housing initiatives.
- Public safety and criminal justice improvements.
- Educational investments and workforce development.
- Healthcare and human services.
- Ongoing disaster recovery and mitigation projects. In particular, disaster recovery remains a significant economic driver. The Office of Disaster Recovery anticipates approximately **$733.9 million** in recovery and mitigation expenditures during FY 2027, generating economic activity, employment opportunities, and additional tax revenues throughout the Territory.

FY 2026 Financial Forecast

As we look ahead, we must also acknowledge our present fiscal reality.

Based upon current estimates, the Government is projecting that Fiscal Year 2026 will close with an approximate **$58.997 million deficit**. While revenue collections have remained relatively stable, ongoing expenditure pressures, inflationary impacts, healthcare costs, personnel obligations, and operational demands have exceeded available recurring revenues.

The FY 2026 General Fund revenues are forecasted to end to the fiscal year at $803,975,598. The 2026 Budget was $814,699,410 resulting in $10,723,812 in less General Fund Revenues. The FY 2026 total revenue projected to include special funds to be $898,835,512,for FY2026. Overall, FY 2026 budget was slated at $957,832,363 resulting in a budget deficit of 58,996,851

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 13, 2026, the outstanding balance on this facility was $124,779,923.69. The line of credit is scheduled to expire on December 31, 2026. This leaves approximately $25.22 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.

Cash on hand

Throughout Fiscal Year 2026 cashflow has remined a focus of the financial team. A critical portion of the focus has been managing expenditures based on actual year-to-date revenue performance.

As of August 7, 2026, ending operating cash balance (consolidated General Fund + Special Funds) was $34.5 million, which equated to approximately 8.7 days of cash on hand based on year-to-date average operating expenditures. Note that this balance can be broken down as follows:

- General Fund - $29.1 million
- Special Funds - $5.4 million

Cash Flow Forecast

Based on actual ending cash of $34.5 million on August 7, the forecast FY26 ending operating cash balance (consolidated General Fund + Special Funds) was projected to be negative ($5.6 million), which assumes:

(1) Revenue materializes as forecast for the remaining weeks of FY26, and
(2) The government pays all forecast expenditures

This cash outlook is largely driven by lower-than-forecast revenue collections year-to-date in FY26. At this point in the fiscal year, revenue remains the most material driver of the cash flow forecast. Note that the financial team continues to defer expenditures to ensure positive cash flow.

Projected revenues through September 30, 2026

On a cash basis, as of August 7, 2026, total revenue collections for FY26 were projected to be $996.9 million (consolidated General Fund + Special Funds). Note that this is approximately $104 million (9%) lower than the initial FY26 forecast.

Total forecast collections of $996.9 million are a combination of actual revenue collections year-to-date through August 7 ($846.5 million) and forecast collections from August 8 through September 30 ($150.4 million).

Actual year-to-date collections through August 7 of $846.5 million were approximately $111 million (12%) below the year-to-date forecast. The forecast included $116 million of Mitigation & Recovery project revenue, and projects have not materialized as forecast year-to-date. As such, Individual Income Tax and Gross Receipts Tax, the largest project revenue categories, have been impacted the most versus forecast.

Note that forecast collections from August 8 through September 30 of $150.4 million are 25% above the same period from FY25, while actual year-to-date collections have materialized largely flat versus FY25. As a result, actual revenue for the remainder of FY26 may continue to materialize below forecast.

Year-To-Date Expenditures

Turning from revenue to expenditures, fiscal year-to-date through August 7, 2026, FY26 operating expenditures (consolidated General Fund + Special Funds) totaled $1.3 billion. Note that this total includes amounts that were funded via federal reimbursements. Net of federal reimbursements for payroll and Medicaid payments, expenditures paid with operating funds totaled $1.1 billion, broken down as follows:

- Payroll and benefits - $429.2 million
- Semi-autonomous allotments - $111.6 million
- Tax refunds - $38.5 million
- Health insurance payments - $203.8 million
- Molina payments (local match only) - $5.5 million
- Other vendor payments - $300.4 million

Note that between vendor payments and employee payroll, approximately 72% of expenditures have been related to local US Virgin Islands vendors.

Status of outstanding vendor payments due to vendors for FY2025 and funding to semi-autonomous agencies

As of August 7, 2026, operating accounts payable (consolidated General + Special Funds) for FY2025 invoices totaled $1.5 million. Note that this is broken down as follows:

- Invoices over $50,000: $1.2 million
- Invoices under $50,000: $0.3 million

As of August 7, there were no outstanding payments to semi-autonomous agencies for FY25 allotments.

Status of outstanding vendor payments from FY2026 and funding to semi-autonomous agencies

As of August 7, 2026, operating accounts payable (consolidated General + Special Funds) for FY2026 invoices totaled $14.3 million**.** This can be broken down as follows:

- General Fund: $6.4 million
- Special Funds: $7.9 million

As of August 7, 2026, based on fiscal year-to-date released payments, there were no outstanding semi-autonomous allotment payments. Year-to-date payments to semi-autonomous agencies through August 7 totaled $111 million, which included $99 million for FY26 allotments and $12 million for FY25 allotments. While the total paid is lower than originally forecast year-to-date, the central government has maximized the total payments possible based on year-to-date revenue performance. The government continues to work with each of the semi-autonomous agencies individually to understand their cash flow needs.

Line of Credit

Regarding the Line of Credit, fiscal year-to-date through August 7, 2026, the government has drawn $37.2 million from the operating Line of Credit throughout the year and has repaid $41.4 million, which nets to an increase of $4.2 million to the operating Line of Credit balance year-to-date.

Budget Stabilization Fund

Lastly, the Budget Stabilization Fund, which is a cornerstone of our long-term fiscal resilience, had had a cash balance as of August 7, 2026, of $14.6 million. Please note that since August 7, an additional $3 million has been utilized from the Fund. Fiscal year-to-date in FY26 through August 7, 2026, the GVI had replenished $3.8 million into the fund, and we remain committed to increasing this reserve by a minimum of $5 million each fiscal year to better prepare for unforeseen economic challenges.

These actual results demonstrate the continuing pressure on unrestricted cash and reinforce the need for disciplined appropriations, timely federal reimbursements, careful expenditure management, and close coordination between the Executive and Legislative branches."

To address this challenge, the Administration has taken responsible steps to preserve government operations and maintain financial stability.

Those efforts include the prudent use of the Government's authorized **Line of Credit** to provide needed liquidity and cash flow support while maintaining essential public services.

In addition, we are seeking the Legislature's partnership in reprogramming available resources from the **Epstein and Leon Black settlement proceeds** to help offset this shortfall and reduce pressure on the General Fund. This collaborative effort between the Executive and Legislative branches is critical to ensuring that the Territory enters FY 2027 on a stronger fiscal footing.

While these measures will help bridge the immediate gap, they are not substitutes for long-term fiscal discipline. Rather, they provide us with the necessary flexibility to navigate current challenges while pursuing structural solutions.

Fiscal Discipline and Responsible Appropriations

Mr. Chairman, there is another matter that warrants serious attention.

The Executive Branch cannot effectively manage the finances of the Government if appropriations continue to be made from the General Fund without adequate consultation, transparency, and consideration of their long-term impact.

The annual budget process exists to ensure that spending decisions are aligned with actual revenues, fiscal priorities, and the overall financial condition of the Government. When appropriations are made outside of that framework without consultation with the Executive Branch, it becomes increasingly difficult to maintain fiscal stability and accurately forecast available resources.

Equally concerning is the growing practice of appropriating General Fund monies and designating them as**"available until expended."**

Today, the Government has approximately **$157.5 million in General Fund and Special Fund appropriations from Fiscal Years 2021 through 2026 that were designated available until expended. Currently $73.2 million remains unexpended and the amount that remains unexpended from the General Fund $21.3 million.**

These appropriations continue to encumber future revenues long after the fiscal year in which they were enacted has ended. As a result, current administrations and future Legislatures inherit obligations that compete directly with emerging priorities and critical public needs.

At a time when the Government is confronting a projected FY 2026 deficit, utilizing a line of credit for cash flow management, and seeking funding solutions through the reprogramming of settlement proceeds, we must carefully examine whether it is fiscally prudent to continue creating open-ended obligations against the General Fund.

Therefore, I respectfully urge the Legislature to consider:

- Limiting or prohibiting the use of "available until expended" appropriations from the General Fund except in extraordinary circumstances.
- Requiring appropriations to lapse within a defined period unless expressly justified.
- Evaluating all existing outstanding appropriations before creating additional obligations.

Fiscal sustainability requires more than balancing a budget on paper. It requires discipline in how we appropriate resources, accountability in how funds are used, and transparency regarding the obligations we create for future years.

HUMAN CAPITAL

The Division of Personnel continues to support the Government's workforce management efforts through recruitment, classification, benefits administration, and personnel services. The Government currently employs 9,858 individuals, with 5,631 employees serving in the Central Government workforce territory wide. To date, the Division has processed 3,181 personnel actions, including 664 hires and 306 separations, of which 120 were retirements, reflecting ongoing workforce transitions and the continued need for strategic recruitment and succession planning.
The Government's group health insurance program provides medical, dental, vision, and life insurance coverage to more than 19,370 employees, retirees, and dependents. Total premium costs are projected to increase from approximately $223.5 million in FY 2026 to $236.4 million in FY 2027, an increase of $12.9 million, or 5.8 percent.

As of June 2026, payments to insurance carriers exceeded $170.4 million, reflecting the significant investment made by the Government in maintaining comprehensive employee benefits. Despite continued increases in healthcare costs, the Government remains committed to balancing fiscal responsibility with the provision of quality healthcare coverage, while maintaining the longstanding cost-sharing structure under which the Government covers 73 percent of premium costs and employees contribute 27 percent.

The Government of the Virgin Islands will remain conservative in its wage negotiations in FY 2027. The Office of Collective Bargaining has resumed discussions with various unions and will continue its efforts to schedule discussions with others in the coming months.

Fiscal Outlook for FY 2027 and Beyond

Despite current challenges, the long-term outlook for the Territory remains positive.

We continue to benefit from:

- Strong tourism activity.
- Significant federal recovery investments.
- Continued infrastructure development.
- Growth in property values.
- Expansion of construction and capital improvement projects.

At the same time, we must remain mindful of risks including inflationary pressures, healthcare costs, workforce shortages, global economic uncertainty, and potential changes in federal funding support.

Visitor arrivals continue to hold strong at 2.6M in 2025 coupled with a robust start of 2.1M visitors as of May 2026. Hotel occupancy stood at 73.8% in June 2026.

The workforce remains relatively stable amidst a slight reduction in available workers; however, it is projected to reach 41,350 by 2027 as more recovery projects advance. Unemployment adjusted upward to 4.5% as of June 2026 and may change slightly depending on the pace of projects and spending. Amidst inflationary pressures (7.6% in 2025) prices continue to fluctuate as geopolitical adjustments impact global economies.

The Administration remains committed to diversifying the economy, maintaining fiscal stability, strengthening government operations, investing in infrastructure, and leveraging federal recovery funds to create sustainable long-term growth.

The opportunity before us is historic. The decisions we make today will determine whether the unprecedented level of investment flowing into the Territory produces lasting economic transformation for future generations.

Closing

Mr. Chairman, I want to personally thank you for your leadership throughout this process. Your commitment to transparency, accountability, and thoughtful fiscal oversight has strengthened these proceedings and contributed to a more robust budget review.

The Fiscal Year 2027 Executive Budget reflects prudent forecasting, strategic investment, and responsible financial management. While we acknowledge the challenges associated with the projected FY 2026 deficit, I am encouraged by the collaborative efforts between the Executive and Legislative branches to address those challenges through sound fiscal policies, careful expenditure management, strategic use of the Line of Credit, and the potential reprogramming of available settlement funds.

Together, we have an obligation to ensure that every dollar entrusted to this Government is managed responsibly and invested wisely on behalf of the people we serve.

I look forward to continuing our partnership as we work to strengthen the fiscal health of the Virgin Islands and build a more resilient and prosperous future for all Virgin Islanders.

Thank you, Mr. Chairman and members of this committee for the opportunity to testify on the territory's FY2027 Budget and FY2026 projections. The financial team is present and prepared to answer any questions.