



FY 2027 Office of Management and Budget Testimony

Presented by:

Director Julio A. Rhymer Sr.

Good morning 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 OMB's team members, Associate Director of Budget Operations Melvin Gumbs, Associate Director of the Financial Responsibility Unit Colvin Durante, and Associate Director of Administration, Yvette Jackson.

Introduction

The Office of Management and Budget was established by Title 2 V.I.C. section 22 with the purpose of assisting the Governor of the Virgin Islands with the preparation and explanation of the proposed comprehensive program and financial plan, including the coordination and analysis of department and agency program goals and objectives, program plans and budget requests.

Each year a mid-year review of the current fiscal year budget will be conducted to determine whether the current year's revenues align with the appropriations made for that year, and report the findings no later than one month after the annual spring revenue estimating conference to the Committee on Budget, Appropriations Finance and to the Legislature's Post Audit Division for its review of appropriation levels to ensure alignment with current fiscal year revenues and expenditures.

For FY 2027, the Office of Management and Budget, has a proposed budget of \$36,759,349 of which \$7,186,308 is from the General Fund, \$2,226,596 is the Indirect Cost, and \$27,346,445 in Federal Grants. This budget includes 42 full-time positions including 13 new and vacant positions. The Office of Management and Budget established a division that will be replacing the Third-Party Fiduciary.

GENERAL FUND FY27

- ✚ Personnel \$ 3,398,177
- ✚ Fringe Benefits \$1,568,030
- ✚ Supplies \$603,401
- ✚ Other Services & Charges \$1,516,700
- ✚ Utilities \$100,000.00
- ✚ Capital Outlay \$0.00

Total \$ 7,186,308.00

INDIRECT COST FUND FY27

- ✚ Supplies \$156,107
- ✚ Other Services & Charges \$1,009,500
- ✚ Utilities \$105,000.00
- ✚ Capital Outlay \$955,989

Total \$2,226,596

Broadband Equity Access Deployment Program – Available \$27.1M

Broadband Equity Access Deployment Program – Available \$26.7M

The Virgin Islands successfully secured the full \$27.1M allocated under the Broadband Equity, Access, and Deployment (BEAD) Program. The focus for BEAD funds is on non-deployment initiatives that empower Virgin Islanders to thrive in an increasingly digital world and help bridge the digital divide. By prioritizing digital equity-centric programs, the BEAD Program aims to unlock the potential of the Territory and its residents by building a digitally inclusive society where all Virgin Islanders have the tools, skills, and opportunities to participate in the digital economy.

Since our last testimony to this body, the National Telecommunications and Information Administration (NTIA) issued an updated Policy Notice rescinding prior approvals for non-deployment activities and requiring states and territories to pause implementation of those projects pending further guidance.

Although these changes have affected the program's implementation timeline, the Territory's BEAD funding remains allocated. During this period, the Office of Management and Budget (OMB), through the Virgin Islands Broadband Office (VIBO), continued to meet all federal requirements, including the successful submission of the Territory's Final Proposal to NTIA.

The Virgin Islands is currently awaiting additional guidance from NTIA regarding revised program requirements and next steps for project implementation.

Economic, Social, and Political Development of the Territories– Available \$650K

The Department of Interior's Economic, Social, and Political Development of the Territories (ESPD) grant program provides federal funding to support projects that strengthen the governmental, economic, and social capacity of U.S. territories. The program is designed to promote sustainable development, improve public administration, and address critical challenges impacting territorial governments and residents.

Currently, the Office of Management and Budget (OMB) have two active ESPD grants totaling \$650,000. The first, in the amount of \$400,000, supports the development of a consolidation strategy for the Hospitals and Health Facilities Corporation aimed at improving operational efficiency and long-term financial sustainability of the Schneider Regional Medical Center and the Governor Juan F. Luis Hospital & Medical Center. The second grant, in the amount of \$250,000, provides funding to hire specialized personnel to assist the GVI in reconciling grant activity and preparation for audit readiness, strengthening overall financial reporting and compliance efforts.

The Capital Projects Fund - Available \$6.5M

The Capital Projects Fund (CPF), administered by the U.S. Department of the Treasury, provides funding to support critical infrastructure projects that enable work, education, and health monitoring in communities impacted by the COVID-19 pandemic. Through this program, the Virgin Islands received an allocation of \$14.3M.

Of this amount, approximately \$7.2M was utilized for the acquisition of the IPB Building in Christiansted, St. Croix. Additional funds will be used to renovate and equip portions of the facility to support telehealth services, learning and workforce development initiatives, and spaces that enable work.

The balance of the funding is also dedicated to the refurbishment of the former Zone A Command building, which will be transformed into a Multipurpose Community Facility. Upon completion, the facility will provide residents with expanded access to educational, workforce development, and community support services while advancing the Territory's long-term digital and economic development goals.

The Travel, Tourism, and Outdoor Recreation Grant – Available \$4.9M

The Travel, Tourism, and Outdoor Recreation Grant, funded through the U.S. Economic Development Administration's (EDA) Economic Adjustment Assistance (EAA) program, was awarded to support the recovery and growth of the Territory's tourism industry following the COVID-19 pandemic. The U.S. Virgin Islands received \$10M under this program to fund EDA-approved projects across multiple government agencies.

To date, \$ 5.1M has been expended on projects including the acquisition of the Caribbean Museum Center building in Frederiksted, restoration of the Water Island and Hassel Island forts, refurbishment of 14 playgrounds territory-wide, tourism marketing initiatives, and improvements to Emancipation Garden, Educator's Park, and the Fort Christian north lawn.

We anticipate fully expending all grant funds in accordance with the approved project plans and grant objectives.

HUMAN CAPITAL

During FY 2025, the Office of Management and Budget continued its efforts to build organizational capacity. At the start of the fiscal year, the agency identified several critical vacancies. As of June 6, 2025, nine positions have been filled, and two additional roles were created and successfully staffed. While this represents meaningful progress, vacancies remain within Budget Operations and Performance that still need to be addressed.

For FY 2026, an additional \$500,000 has been included in OMB's budget to support the newly established Fiscal Responsibility Unit. This unit will replace the Third-Party Fiduciary and serve as a centralized resource for departments and agencies requiring support with procurement, as well as fiscal efficiencies and deficiencies. The Fiscal Responsibility Unit currently consists of four members: an Associate Director, a Financial Manager, and two Procurement Analysts.

As of June 5, 2026, seven additional vacancies have been filled. At present, there are 11 remaining vacancies.

THIRD PARTY FIDUCIARY/ Financial Responsibility Unit

As noted in my FY 2026 testimony, the Office of Management and Budget has established a Financial Responsibility Unit (FRU). The FRU is actively working toward the transition of duties currently performed by the Third-Party Fiduciary for the Virgin Islands Department of Education. Notably, the FRU is already integrated into the procurement workflow, where it reviews and approves purchases prior to final approval by the TPFA.

The timeline for this transition remains fluid as the Government of the Virgin Islands continues to assess operational readiness and coordinate the steps necessary to ensure an orderly transfer of oversight responsibilities. The recommended approach includes a period during which the Financial Responsibility Unit will receive training and perform these functions under the oversight of the TPFA. The objective is for the TPFA to certify to the U.S Department of Education that the FRU has been adequately trained and is carrying out these duties proficiently. To formalize this process, the Governor of the Virgin Islands has submitted a request to the Secretary of Education indicating the Territory's readiness to transition from Third-Party Fiduciary oversight to oversight through the Financial Responsibility Unit.

While this transition remains a central priority, the FRU's responsibilities are not limited to the transfer of Third-Party Fiduciary functions. Its mandate also extends to other Government of the Virgin Islands agencies that require heightened fiscal oversight, intervention, and accountability support.

The Government of the U.S. Virgin Islands' executive order placing all Chief Financial Officers (CFOs) and Business Office Directors under the purview of the Commissioner of Finance has now been in effect for over a year, demonstrating measurable progress in strengthening fiscal oversight and operational consistency across the central government. This initiative has enabled the Commissioner of Finance, in coordination with the Director of the Office of Management and Budget (OMB), to exercise comprehensive oversight of financial functions within all departments and agencies. By centralizing authority, the government has improved alignment in budgeting, accounting, procurement, and reporting practices, while ensuring that financial policies are applied uniformly across the executive branch.

Importantly, the structure has also created the capacity for targeted intervention in agencies experiencing operational or financial challenges. The Department of Finance and OMB can now step in to support or temporarily assume control of key functions such as procurement processes, financial reporting, and audit remediation efforts. This proactive approach has accelerated the resolution of outstanding audit findings, strengthened internal controls, and reduced inefficiencies that previously hindered agency performance. Overall, the initiative has enhanced fiscal discipline, improved accountability, and positioned the government to manage public resources more strategically and transparently.

In this broader capacity, the FRU furthers the management function of the Office of Management and Budget by providing a structured mechanism to strengthen fiscal oversight, support corrective action, and promote greater accountability across government operations. In carrying out this role, the FRU works in conjunction with the Office of Management and Budget's Compliance Unit to help ensure that agencies operate in accordance with sound financial practices, established performance expectations, and applicable fiscal requirements.

To guide the determination of which departments or agencies require oversight by the FRU, the following factors will be considered:

- 1) Persistent unresolved audit findings
- 2) Failure to meet key performance indicators
- 3) Failure to meet federal reporting requirements
- 4) Failure to draw down federal funds in a timely manner
- 5) Failure to maintain sound budgetary controls

The Financial Responsibility Unit serves as a critical mechanism for advancing the management function of the Office of Management and Budget, strengthening accountability, improving fiscal oversight, and supporting timely corrective action across

the Government of the Virgin Islands. In coordination with the Performance Unit, the Compliance Unit, and the Department of Finance, the FRU will help promote stronger financial management and more consistent adherence to fiscal policy across agencies requiring intervention.

COMPLIANCE/AUDIT

The management and oversight of federal funds remain an OMB mandate. We continue to monitor grant recipients' compliance with financial and non-financial objectives of Federal awards; develop and implement the government-wide Cost Allocation Plan and the Indirect Cost-Related proposals; conduct the Intergovernmental Review Process; monitor funds awarded by the U. S. Department of Interior's Office of Insular Affairs; assist departments and agencies with grant administration, training, and application issues; and oversee the annual Single Audit.

Currently our office is awaiting a response on provisional rates requested, indicated to be received by June 11, 2026, while the Indirect Cost Rate proposal is currently being calculated by a third-party vendor for submission to the Department of Interior within the next 60 to 90 days. Moreover, the Federal Grant Management team is working towards increased transparency and reliance on data driven analysis through the implementation of a new Grant Management System to allow visibility and process tracking across agencies in addition to developing automated reports and templates for increased accuracy and timeliness.

The U.S. Virgin Islands has received a total of \$547 million in funding under the American Rescue Plan Act (ARPA) to support economic recovery, strengthen public services, and invest in long-term resilience across the territory. These funds have been strategically directed toward critical priorities, including healthcare, infrastructure, workforce development, and community revitalization. Of the total allocation, \$16 million remains and has already been committed to key initiatives, including road improvement projects, agricultural development efforts, and other community-based programs. These targeted investments are designed to enhance transportation infrastructure, promote local food production, and directly support grassroots initiatives that improve quality of life for residents. Careful execution of these projects will ensure the Territory maximizes the lasting impact of its ARPA funding while maintaining compliance with federal guidelines and advancing sustainable economic growth.

Another area of focus is resolving repeated audit findings and delays in the federal drawdowns across the GVI. OMB continues to work diligently to ensure compliance with federal and local cash management policies, while also assisting agencies with the development of comprehensive Corrective Action Plans (CAPs) to address audit findings and improve overall operational effectiveness and efficiency.

Additionally, under the purview of the Compliance Unit, the agency continues to assist with resolving repeated audit findings and delays in the federal drawdowns across the GVI along with strengthening adherence to federal and local cash management policies. This effort includes providing direct support to agencies in the development and implementation of comprehensive Corrective Action Plans (CAPs) designed to resolve audit findings and enhance overall operational effectiveness and efficiency through collaborative strategic engagements, targeted reviews, and compliance audits of high-risk agencies.

Further, as members of the GVI Audit Committee, OMB Compliance and Federal Grants Management are leading the development of a structured, three-tier policy and procedures framework under the Public Finance Management Act Initiative (PFMA). This framework includes:

- ✚ **Tier 1**, Establishes the overarching Financial and Compliance Policy;
- ✚ **Tier 2**, Defines Standard Operating Procedures (SOPs) to promote cross-agency consistency;
- ✚ **Tier 3**, Outlines detailed step-by-step procedures that clearly define roles and responsibilities.

Not-for-Profit Unit

The Not-for-Profit Unit within the Virgin Islands Office of Management and Budget (OMB) is established to provide centralized oversight and management of all nonprofit organizations funded through the Government of the Virgin Islands, specifically under the Miscellaneous section of the annual budget. This unit serves as the primary point of coordination for the allocation, monitoring, and evaluation of public funds awarded to nonprofit entities, ensuring that these resources are distributed in alignment with government priorities, community needs, and statutory requirements. By consolidating these responsibilities within a dedicated unit, the OMB enhances transparency, consistency, and efficiency in the administration of grants to nonprofit organizations.

A core function of the Not-for-Profit Unit is to ensure accountability and compliance among all recipient organizations. This includes implementing standardized reporting requirements, conducting periodic financial and programmatic reviews, and maintaining accurate records of fund utilization. Nonprofit entities are required to submit annual reports detailing the use of government funds, program outcomes, and audited financial statements where applicable. Through these measures, the unit promotes responsible stewardship of public funds, strengthens organizational accountability, and supports data-driven decision-making. Ultimately, the establishment of this unit reinforces the Government's commitment to fiscal integrity, regulatory compliance, and the effective delivery of services through its nonprofit partners.

CONCLUSION

The Office of Management of Budget continues to be committed to providing guidance to Department and Agencies to allow them to meet their mandated goals and objections through proper financial planning and execution. I would like to thank my staff at the Office of Management and Budget for their commitment and dedication.

Mr. Chair, my team and I are available for any questions. Thank you.