



Fiscal Year 2027 Budget Overview Testimony

**Investing Today for the Communities of Tomorrow –
Infrastructure, Recreation and Housing**

Presented by

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OMB Director

On behalf of the Governor's Financial Team



St. Croix

St. Thomas

St. John

Water Island



Testimony on the FY 2027 Executive Budget - Committee on Budget, Appropriations, and Finance

Honorable Chairman Novelle E. Francis, Jr. -June 8, 2026

Good day Honorable Chairman Francis, distinguished Senators, Committee Members, and all present. My name is Julio A. Rhymer, Sr., Director of the Office of Management and Budget. I am honored to appear before you today to present testimony on the Fiscal Year 2027 Executive Budget on behalf of Governor Albert Bryan, Jr. and the Administration. I am joined by the members of the Government Financial Team, Commissioner Kevin McCurdy - Department of Finance, Director Joel Lee – Bureau of Internal Revenue, Dr. Haldene Davies – Bureau of Economic Research, Director Cindy Richardson – Division of Personnel, Attorney Joss Springette – Chief Negotiator Office of Collective Bargaining, Director Nathan Simmonds, VI Public Finance Authority, and Director Adrienne Williams Octalien – Office of Disaster Recovery, Ludence Romney – Tax Assessor and Brent Leerdam – Tax Collector both of the Office of the Lieutenant Governor.

The FY2027 Budget is presented with clarity of purpose and a deep commitment to building stronger, more resilient communities. This year’s theme— **“Investing Today for the Communities of Tomorrow – Infrastructure, Recreation and Housing”**—reflects our determination to lay a solid foundation for future generations while addressing the immediate needs of our residents.

Our approach is grounded in the belief that strategic investments today will drive long-term economic growth, enhance quality of life, and create equitable opportunities for all. This budget is not simply a financial plan; it is a roadmap that prioritizes people, progress, and sustainability.

Strengthening Infrastructure for Resilience and Growth

Infrastructure remains the backbone of a thriving economy and a secure society. In FY 2027, we are making targeted investments to modernize and maintain critical systems, including roads, drainage networks, public facilities, and utilities.

These investments aim to:

- Improve reliability and safety across transportation and public works systems

- Enhance climate resilience in the face of increasing environmental challenges
- Support economic development by enabling efficient movement of goods and services

We recognize that well-maintained infrastructure is essential not only for daily life but also for attracting investment and fostering innovation. Therefore, a central pillar of the FY 2027 budget is the Territory's urgent and coordinated effort to execute critical infrastructure and disaster recovery projects at an unprecedented scale.

- The Virgin Islands currently has approximately \$734 million in disaster recovery funding formally committed to major capital investments, including school reconstruction, road improvements, utilities upgrades, and other resilience projects for FY 2027
- In addition, the Territory has access to approximately \$700 million in Community Development Block Grant – Disaster Recovery (CDBG-DR) funding. These funds are not reflected in the recurring revenue forecast, yet they require immediate and disciplined execution.
- VIHFA can deploy approximately \$50 million to \$100 million annually through stamp tax and CDBG-DR funds to advance housing and infrastructure development.

The Protection of Stamp Tax Revenues

- Stamp tax revenues must be protected. These funds are the financial backbone of the Territory's housing and development strategy. Any diversion will slow housing production, delay infrastructure projects, and jeopardize the Territory's ability to fully utilize over \$700 million in recovery resources.

Expanding Recreational Opportunities for Healthier Communities

Recreation is a vital component of community well-being. Our FY 2027 budget allocates significant resources toward upgrading parks, sports facilities, and public spaces, ensuring they are accessible, safe, and inclusive.

Our priorities include:

- Revitalizing community parks and waterfront areas
- Expanding youth sports and wellness programs
- Creating multi-use recreational spaces that encourage civic engagement

By investing in recreation, we are promoting healthier lifestyles, strengthening community connections, and enhancing the overall livability of our neighborhoods.

Advancing Housing to Meet Today's Needs and Tomorrow's Demand

Access to safe, affordable housing remains one of our most pressing challenges. In FY 2027, we are taking decisive steps to address housing availability, affordability, and sustainability.

Key initiatives include:

- Supporting the development of affordable and workforce housing
- Encouraging public-private partnerships to accelerate housing projects
- Implementing policies that promote smart growth and responsible land use

Housing is more than shelter—it is the cornerstone of stable families and strong communities. Our investments aim to ensure that every resident has access to a place they can call home.

Fiscal Responsibility and Strategic Investment

While advancing these priorities, we remain committed to prudent fiscal management. The FY 2027 budget reflects a balanced approach that maximizes available resources, leverages external funding opportunities, and ensures accountability in every dollar spent.

We continue to:

- Strengthen financial stewardship and transparency
- Align spending with measurable outcomes
- Invest in initiatives that deliver long-term value

Economic Outlook 2026-2027

The economy of the U.S. Virgin Islands continues to recover, with modest growth driven by government spending, expanding tourism activity, and low unemployment. Overall, the economy remains fundamentally stable, supported primarily by strong visitor arrivals and sustained federal funding.

Tourism performance remains a key contributor to economic stability. Visitor arrivals reached approximately 2.6 million in 2025, with a strong start to 2026, totaling 1.1 million visitors as of March. Hotel occupancy rates stood at 67.9 percent in March 2026, reflecting continued demand within the hospitality sector.

The labor market has also shown steady improvement, with the workforce growing by 0.8 percent between 2024 and 2025. It is projected to reach 41,350 by 2027, as unemployment remains low at approximately 3.5 percent.

Despite these positive indicators, inflationary pressures remain a concern. Inflation reached 7.6 percent in 2025, driven largely by the territory's heavy reliance on imported goods, which totaled approximately \$4 billion. In response, steps to implement upward salary adjustments in both the public and private sectors have helped offset the decline in residents' purchasing power across the territory.

The U.S. Virgin Islands stands at a pivotal crossroads of significant opportunity and persistent structural challenges. While the territory must actively address high inflation, labor shortages, and infrastructure constraints—particularly in the utilities sector—the underlying momentum of the economy remains strong.

Budget -Details

Included in the proposed General Fund fiscal year 2027 budget of \$958,200,000 there are efforts to the livelihood of the people of the Virgin Islands through investments in recreation, housing and infrastructure.

Local Revenues

Using weekly cash flow analysis and projections, the Office of Management and Budget consistently forecasts quarterly and annual revenues and expenditures from all sources, with a particular focus on the General Fund. These forecasts inform our overall financial planning, guiding revisions to our forecasts and the five-year plan as needed.

The five major local revenue categories show varied growth compared to the fiscal year 2026, with a year-end estimate of \$846,081,260.00 for all revenues, before obligated transfers in and out. The forecast for fiscal year 2027 takes a cautious approach due to domestic and global environments that could adversely impact the U.S. Virgin Islands economy. The current FY2027 Budget takes into consideration the numerous capital projects underway in fiscal year 2026

Personal Income Tax (PIT)

Personal Income Tax (PIT) collections indicate a projected increase of 2% from the fiscal year 2026 projection of \$421.79 million to \$427.95 million for fiscal year 2027. This cautious projection is deemed prudent due to the global conflict, as well as potential political developments that could significantly impact the U.S. Territory of the Virgin Islands. However, the construction slated for Mitigation and Disaster Projects is projected to generate an additional of \$71.7 million versus \$21.9 M for 2026 in personal income tax. The amount that could be a potential collections increase amount to \$499.66 million, or approximately 12.6%.

Corporate Income Tax (CIT)

Corporate Income Tax (CIT) collections indicate that from the fiscal year 2026 projection of \$72.32 million to \$72.45 million for fiscal year 2027. This cautious projection is deemed prudent due to the global economic climate, as well as potential political developments that could significantly impact the U.S. Territory of the Virgin Islands.

Real Property Tax (RPT)

Real Property Tax (RPT) collections indicate a projected increase of 2% from the fiscal year 2026 projection of \$55.01 million to \$56.23 million for fiscal year 2027. 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 6.3% from the fiscal year 2026 projection of \$230.42 million to \$244.97 million for fiscal year 2027. This upward trend is attributed to the anticipated capital project bundles and construction activities slated for fiscal year 2027, which are expected to contribute positively to the revenue collections. To include Gross Receipts Tax collected from Mitigation and Disaster Recovery projects estimated at \$29.7 million compared to \$9.1 million for FY 2026, the potential collections increase will be \$274.7 million, or 14.7%.

Excise Tax (ET)

Excise Tax (ET) collections indicate a projected increase of 14.2% from the fiscal year 2026 projection of \$37.67 million to \$43.01 million for fiscal year 2027. This sustainable growth trajectory is attributed to the tourism sector and planned capital construction industry activities slated for fiscal year 2027. These factors are expected to contribute positively to the revenue collections. To include Excise Tax collected in an amount of \$7.1 million from Mitigation and Disaster Recovery projects could realize the potential total collections increase of \$50.11 million, or 25.45%.

Other notable revenue increases can be found in various areas including the Hotel Tax/Non-Hotel, slight increases in the preliminary actuals from fiscal year 2026 \$64.44 million to revenue projections of \$68.62 million, or approximately 6%, in fiscal year 2027. 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.

Overall, the General Fund Revenue projections of \$848,813,915 for fiscal year 2026 have increased to a projected \$958,200,000 for fiscal year 2027. Additionally, while the General Fund is projected to collect net revenue, the gross Revenue collections are projected at **\$1,041,586,689**.

Budget Overview – All Funds

The proposed Fiscal Year 2027 budget from the Government of the Virgin Islands includes expenditures totaling \$1,638,468,440.00 This amount includes appropriated and non-appropriated funds as follows:

General Fund:	\$ 958,200,000
Other Appropriated Funds	\$ 93,386,689
Other Non-Appropriated Funds	\$ 43,599.476
Federal Funds:	\$ 543,282,273
Total Budget:	1,638,468,438

Federal Grants

The total federal grants funding projected to be available to the territory for fiscal year 2027 has decreased slightly to **\$20,587,648,241.71**. This amount is expected to continue to decline due to increased disaster funding spending in the territory.

The Office of Disaster Recovery (ODR) anticipates that \$733.9M will be spent on disaster recovery projects throughout the Territory in Fiscal Year 2027. This will result in \$36.7M in revenue by way of gross receipt taxes and other forms of residual revenue.

These projections were made on projects with expected construction activity within the priority sectors. Some of the largest spending projects comprise healthcare facilities such as the reconstruction of the Governor Juan F. Luis Hospital and the Donna M. Christian Christensen, MD Health Center on St. Croix, and the Knud Hansen facilities on St. Thomas. Several schools are poised to enter construction, including the rebuild of Charlotte Amalie and Central High Schools, as well as the modernization of Bertha C. Boschulte School and the St. Croix Educational Complex.

Significant expenditures are also expected in the infrastructure and utility sectors via the replacement of the Richmond Power Plant on St. Croix and the installation of temporary generation units. The beginning stages of horizontal projects to replace underground power, water, and wastewater lines will also be realized in FY 2027.

The implementation of the Line of Credit has been instrumental in allowing the Territory to keep pace with the disaster. The ability to keep projects on track and facilitate the timely completion of many projects has been critical. The LOC has also enabled ODR to keep residential restoration projects under the EnVIsion Tomorrow Program moving. As we approach the completion of 100 homes territory-wide and continue implementing Rebuild USVI's comprehensive bundled-project strategy, timely payments to vendors are one of ODR's top priorities. The need remains for this utility and any opportunity to leverage increasing the Line to facilitate the advancement of critical projects as we enter construction phase should be considered.

In addition to disaster funding, **\$543,282,273** of the projected total represents non-disaster related federal funds available to the Government of the Virgin Islands. This amount includes **\$20,587,648,241.77** from the Department of Interior's Office of Insular Affairs. This continued support provides resources towards disaster recovery/mitigation and overall improvement in the territory.

Human Capital

The total number of employees in the Government of the Virgin Islands is 9,825. Currently, the Central Government's employee population consists of 5,550 individuals, which includes 2,829 employees in the St. Thomas/St. John district and 2,721 employees in the St. Croix district. This group comprises of 1,350 unclassified employees, 4,099 classified employees, 40 part-time employees, 4 temporary employees, and 57 per diem employees.

As of Fiscal Year 2026, the Division of Personnel has processed a total of 2,433 personnel actions, including 474 hires (of which 272 are new hires), 244 separations, and 805 salary changes.

Currently, all Semi-Autonomous and Autonomous Agencies, Government Instrumentalities, the Judicial Branch, and the Senate have no employees earning less than \$35,000. The Central Government still has 30 employees whose agencies are in the process of implementing salary increases.

Group Health Insurance

The latest update on our combined insurance coverage, which includes medical, dental, vision, and life insurance, shows an increase from \$198.9 million in FY24 to \$226.1 million in FY25 and \$206.1 million in FY26. This represents an increase of approximately \$20.2 million, or 14.8%. Currently, employees pay 27% of the shared cost, while the government covers 73%. The dental insurance premium has increased by 3%.

Our plan covers over 25,000 individuals, including dependents. To date, total payments to all carriers amount to \$132,732,592.58 as of April 2026.

- Cigna: \$109,734,819.12
- UnitedHealthcare : \$15,053,316.64
- Standard Life : \$7,312,341.70
- Standard Vision : \$439,859.88
- Cigna Supplements: \$192,255.24

- Cigna Employer share : \$ 80,106,417.96

- Cigna Employee share: \$ 29,628,401.17

-UHC Employer share: \$10,988,921.15

- UHC Employee share: \$ 4,064,395.50

The Government of the Virgin Islands temporarily paused union negotiations during the implementation of the new minimum salary established by Act No. 8995. This was done to ensure that the government could make economic proposals in good faith. As we approach complete implementation of the new minimum salary, the Office of Collective Bargaining (OCB) has resumed negotiations with Our Virgin Islands Labor Union and Virgin Islands Workers Union. These unions represent non-supervisory employees at the Departments of Public Works and Human Services, respectively.

OCB has also resumed discussions with other agencies to obtain updated information on their unionized employees. This information allows OCB to better understand the impact of the new minimum salary on each agency and bargaining unit, calculate estimated the costs of each negotiation and determine dates of availability for negotiations. OCB will provide updated information to each union once we complete this process for each bargaining unit.

Conclusion

The FY 2027 Budget represents a forward-thinking vision rooted in collaboration, innovation, and responsibility. By investing in infrastructure, recreation, and housing, we are not only addressing today's challenges but also preparing for the opportunities of tomorrow.

Together, we are building communities that are resilient, vibrant, and inclusive—places where families thrive, businesses grow, and future generations can succeed.

Chairman Francis, this concludes my testimony and the Financial Team, and I are available to answer any questions you and the committee may have.