

TESTIMONY OF THE FINANCIAL TEAM  
COMMITTEE ON BUDGET, APPROPRIATIONS, AND FINANCE  
FEBRUARY 27, 2026

Good Morning, Honorable Novelle Francis, Chairman of the Committee on Budget, Appropriations, and Finance, esteemed members of the Committee, fellow members of the 36th Legislature, and the people of the Virgin Islands.

I am Kevin McCurdy, Commissioner of Finance, accompanied by members of the Governor's Financial Team. On behalf of Governor Albert Bryan, Jr., I am grateful for the opportunity to provide you with an update on our Government's fiscal position, workforce status, and the proactive financial management efforts we are undertaking. I want to emphasize that while we face challenges, we are also making significant strides towards a more sustainable future.

The Bureau of Economic Research highlights that the Virgin Islands' economy is showing remarkable stability and resilience, even in the face of structural challenges. Our Gross Domestic Product has reached approximately \$5 billion, demonstrating consistent growth since 2018. Visitor arrivals have rebounded strongly from pandemic lows, reaching 2.7 million in 2025, with St. Croix's cruise activity showing particularly encouraging recovery. Civilian employment levels have remained stable, with about 40,000 workers contributing to our economy. The unemployment rate has been impressively low at 3.6 percent since 2023. While we do face inflation at 7.6 percent, primarily due to housing costs and global price pressures, we are well-positioned to address these issues. It is also essential to note that ongoing private sector investments and infrastructure developments are fueling our economic progress. However, we must remain vigilant about long-term risks, such as high energy costs, labor shortages from population decline, and vulnerability to natural disasters. By exercising fiscal discipline and careful financial management, we can continue to build on the strengths of our economy.

Currently, the Government of the Virgin Islands employs 10,029 dedicated individuals across the territory, including 5,829 employees in the Central Government. This workforce is effectively balanced among districts and is crucial in delivering essential public services. Since October 1, 2025, our Division of Personnel has been active, processing 1,656 personnel actions, which include 279 new hires, 144 separations, and 675 salary adjustments. Many of these changes were necessary to meet the statutory minimum salary requirement of \$35,000. I am pleased to report that our semi-autonomous agencies, the Judicial Branch, and the Legislature have achieved full compliance with Act 8995, while Central Government agencies are approximately 80 percent compliant, and we are steadily closing the gap.

The Office of Collective Bargaining has successfully completed four major negotiations this fiscal year, focusing primarily on Education and the Virgin Islands Territorial Emergency Management Agency (VITEMA). Ongoing negotiations with other unions, including those representing Fire, Police, Public Works, and Health, are being conducted with the goal of workforce stability and preventing future cost pressures.

Healthcare costs continue to be a significant concern for our budget. The Government's group insurance program now supports over 25,000 individuals, including dependents with coverage including dental, vision, and life insurance. Premiums have increased from \$198.9 million in FY25 to \$226.1 million in FY26. This reflects an overall increase to the Government of approximately 14.8 percent or \$20.2 million. To support our employees, the Government funds 73 percent of

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premium costs, while employees contribute the remaining 27 percent. We recognize that healthcare inflation is a pressing issue, and we are actively working to mitigate its impact.

In terms of cash and revenue, we currently report year-to-date revenues of \$270.5 million. Although General Fund revenue is projected to be approximately \$25.3 million below the FY26 budget, we are committed to implementing strategies to enhance our financial position. As of January 30, 2026, we have an available cash balance of \$40.1 million, providing us with around 10.7 days of cash on hand. This highlights the importance of disciplined spending; it is essential for ensuring our financial stability moving forward. Together, we can navigate these challenges and position the Virgin Islands for continued success.

	<b>FY2026 YTD</b>	
	<b>Actual</b>	<b>% of Subtotal</b>
<b>Operating Revenues</b>		
Individual Income Tax	\$ 108,265,870	40.0%
Gross Receipts Tax, Net	53,491,675	19.8%
Real Property Tax	9,384,122	3.5%
Corporate Income Tax	20,635,647	7.6%
Trade, Excise and Stamp Tax	13,110,032	4.8%
Hotel tax	13,252,637	4.9%
Bank 1 Other Operating Revenue	17,647,106	6.5%
Bank 2 Other Operating Revenue	34,716,025	12.8%
<b>Total Operating Revenues</b>	<b>\$ 270,503,113</b>	<b>100.0%</b>

In response to the evolving revenue outlook, the Office of Management and Budget has taken a proactive and data-driven approach to expenditure control. Beginning early in the fiscal year, OMB implemented targeted allotment adjustments designed to moderate the pace of spending across departments and agencies. Smaller agencies experienced modest monthly reductions of 0.333 percent, while larger agencies saw reductions of 1.333 percent. These measured controls are expected to reduce expenditure growth by approximately 4 to 15 percent, depending on agency size. Importantly, the allotment process remains dynamic; OMB continues monthly reviews and provides case-by-case exceptions where contractual obligations, public safety, healthcare, or other critical service needs require flexibility. The objective is to align spending with revenue realities while preserving essential government services.

Complementing these efforts, we continue to prudently manage the Budget Stabilization Fund as a key fiscal buffer. As of February 18, 2026, the fund balance stood at approximately \$13.4 million. During the fiscal year to date, approximately \$2.8 million was utilized to support Supplemental Nutrition Assistance Program obligations, while a \$2.5 million General Fund contribution helped reinforce the reserve. This balanced approach reflects our commitment to meeting immediate needs while preserving financial resilience.

We are closely managing utility-related expenditure through the Single Payer Utility framework. During the FY26 year-to-date period through January 2026, WAPA billed the Government

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approximately \$8.1 million for covered accounts, while the Government paid approximately \$8.4 million. On a full-year basis, Single Payer Utility costs have remained relatively stable. The Department of Finance continues to process these payments on a structured monthly cycle while carefully reviewing billings to ensure only eligible government-funded accounts are paid through the program. This oversight remains critical to maintaining cost discipline.

Single Payer Utility Fund	Fiscal Year		Year-to-Date (YTD) Period through January		
	FY2024	FY2025	FY2024	FY2025	FY2026
Billings	\$23,110,338	\$22,838,855	\$ 8,073,084	\$ 7,633,921	\$ 8,134,322
Payments	(24,268,977)	(21,897,474)	(7,631,468)	(7,306,188)	(8,445,049)
<b>Net Billings (Payments)</b>	<b>\$ (1,158,639)</b>	<b>\$ 941,381</b>	<b>\$ 441,616</b>	<b>\$ 327,732</b>	<b>\$ (310,727)</b>

In this environment, the Government continues to prioritize the timely payment of vendors and obligations. Through January 29, 2026, the Government has paid approximately \$476.1 million in vendor payments and allotments year-to-date in FY26. Of this amount, \$257.1 million was paid from operating funds and \$219.0 million from federal sources. Net of allotments, operating fund vendor payments totaled \$221.9 million. These payments reflect our continued focus on supporting the local business community and maintaining continuity of government operations.

We have also made completion of the Government’s financial audits a top priority. The FY 2024 audit is underway and on track for completion by June 30, 2026, with planning for the FY 2025 audit already in motion toward a December 2026 target. Finance and OMB are working closely with agencies to support reconciliations, strengthen reporting, and monitor corrective actions through quarterly CFO oversight to improve audit outcomes and strengthen internal controls.

Turning to disaster recovery, the Territory continues to manage an unprecedented federal investment exceeding \$24 billion. The Office of Disaster Recovery is focused on ensuring all fixed cost offer projects are completed by 2035. To execute the largest and most complex projects – representing \$13.7 billion in obligated funds – we launched the Rebuild USVI initiative.

Under Rebuild USVI, 38 major facilities are scheduled for reconstruction. To date, 13 contracts covering 32 facilities have been executed, with the remaining projects advancing through procurement. Major school, healthcare, infrastructure, and public safety projects are progressing across both districts. We expect expenditures to ramp up significantly as projects enter full construction, with approximately \$643 million projected in FY 2026 across recovery efforts. Recovery activity has already generated more than \$8.1 million in gross receipts taxes for the Territory.

The Government of the Virgin Islands continues to actively manage its federal grant portfolio with a strong focus on reimbursement timing, compliance, and cash flow coordination. During the FY26 year-to-date period, the Government recorded \$237.2 million in federal revenues and \$241.7 million in federal expenditures. Of these amounts, \$176.8 million in revenues and \$171.7 million in expenditures were FEMA-related, reflecting the continued pace of disaster recovery activity. ARPA-funded expenditures totaled \$5.8 million during the same period, and all ARPA funds remain subject to the federal expenditure deadline of December 31, 2026. Approximately

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\$15 million in federal-related checks are currently housed at the Department of Finance, with 74 percent tied to disaster recovery reimbursements. On a full-year basis in FY25, the Government recorded \$748.6 million in federal revenues and \$763.5 million in federal expenditures. We remain focused on accelerating reimbursements, strengthening documentation processes, and aligning cash management strategies to ensure that federal funds are drawn timely and expended in full compliance with federal requirements.

The Public Finance Authority continues to support the Territory's long-term capital strategy through a range of financing tools, including \$250 million in bank lines of credit, \$156 million in GARVEE bonds for transportation projects, the \$448.6 million Frenchman's Reef financing, and more than \$415 million in affordable housing bond allocations. These tools allow the Territory to advance critical projects while protecting the integrity of the General Fund.

Mr. Chairman and members of the Committee, the bottom line is this: the Virgin Islands economy is stable, our workforce is largely compliant with statutory pay requirements, federal funds continue to flow, and our financing tools remain active. At the same time, we are operating in an environment of tight liquidity, rising healthcare costs, and steady but limited revenue growth. That reality means every hiring decision matters, every benefit decision matters, and every dollar of cash management matters.

We remain committed to doing this work in a responsible way, the disciplined way, and the sustainable way. We will complete the remaining salary adjustments, continue to manage healthcare costs aggressively, preserve liquidity, and keep the Government of the Virgin Islands on a stable financial path.

Thank you, Mr. Chairman. We are prepared to answer your questions.