2025 FEDERAL SHUTDOWN TESTIMONY

Presented By:

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On Behalf of Governor Albert Bryan Jr.

Good afternoon the Honorable Senator Milton E Potter President of the 36th Legislature, members of the Committee of the Whole 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 colleague, the Commissioner of Finance Kevin McCurdy,

On Behalf of Governor Albert Bryan Jr., we present the testimony on the impact of the federal shutdown.

Introduction

As of today October 29, 2025**,** the federal government shut Is now twenty-nine days old with no concrete resolution or end. As of October 24th, 2025, the federal court system received their last paychecks and other agencies such as Transportation Security Administration, and Customs and Border Protection have not been receiving paychecks since the shutdown begun. If the shutdown continues, the impact on the Virgin Islands can be costly. With the federal shut down when federal employees are not paid this impact will result in lower tax revenue for the territory. The revenues that will be affected will include not only withholding taxes but gross receipts taxes. Senators, this is not the only economic impact facing the territory. Please be mindful that when these federal employees are not paid, their ability to pay their expenses to include mortgages, loans and just going shopping for essentials will be severely impacted. Therefore, today while we look at the SNAP program, we need to see the full economic impact of the federal shutdown.

Estimated Loss of SNAP/Shutdown Negative Impacts on the USVI

The Bureau of Economic Research estimates that the loss of household income of $6 million per month to SNAP recipients in the Territory on a monthly basis will have a negative induced impact on 16 jobs in the Virgin Islands, with the loss of $723,412 in labor income; the loss of $2.12 million in territory-wide economic output; and a loss of $1.7 million one-time contribution to the Gross Domestic Product. There is also an estimated loss of $315 thousand in taxes to the Territory over the same monthly period. Snap currently supports 24,000 residents in the Territory, a quarter of the USVI's population.

The ongoing federal government shutdown has had serious and immediate repercussions for the USVI, especially regarding the Supplemental Nutrition Assistance Program (SNAP), which aids approximately 24,000 residents or 10,600 households—a quarter of the territory's population. The potential negative impacts of halting SNAP benefits are significant, putting thousands of families, seniors, and children at risk of inadequate nutrition.

The economic effects are also noteworthy; the interruption of SNAP benefits could lead to a decline in revenue for grocery stores, farmers, and small businesses, particularly in low-income areas. Additionally, a $6 million loss in federal aid could shrink the local economy, further impacting vulnerable populations.

Public health is another critical area of concern, as limited access to nutritious food may worsen existing chronic health conditions, such as diabetes and hypertension. This situation may force vulnerable individuals to make tough choices, like skipping meals or medications to manage their limited resources.

When taken from an institutional spending perspective, the Bureau Economic Research estimates that the redirecting of $3 million per pay period to supplement household income will have a negative direct, indirect, and induced impact on 30 jobs in the Virgin Islands, with the loss of $2.9 million in labor income; the loss of $3.7 million in territory-wide economic output; and a loss of $3.5 million one-time contribution to the Gross Domestic Product. There will also be a loss of $785 thousand in taxes and a reduction of $311 thousand in imports over a single pay period.

Other Significant Factors to Consider – Federal Shut Down

First, there are approximately one thousand federal employees in the territory that will not be paid until the federal shutdown ends. These employees account for $12.5 million dollars in wages monthly and approximately $2.5 million dollars in withholding taxes.

The Bureau Economic Research estimates that the loss of economic contribution from 1,000 federal employees paid by federal funds and earning $12.5 million per month will have a negative direct and indirect impact on 965 jobs in the Virgin Islands, with the loss of $14.1 million in labor income; the loss of $17.2 million in territory-wide economic output; and a loss of $16.2 million one-time contribution to the GDP. There is also an estimated loss of $3.7 million in taxes to the Territory over the same monthly period. The current circumstances negatively affect the collection of several tax categories due to disruptions in normal spending patterns.

Secondly, there are approximately one thousand two hundred employees in the Government of the Virgin Islands that are paid or reimbursed by federal funds. As per the last fiscal year, salaries of local government employees were approximately $70 million dollars. On a bi-weekly basis the Government of the Virgin Islands pays $3 million dollars for employees that are reimbursed by federal funds.

The Bureau of Economic Research estimates that the loss of economic contribution from 1200 local employees paid by federal funds and earning $3 million per pay period will have a negative direct and indirect impact on 1,192 jobs in the Virgin Islands, with the loss of $3.4 million in labor income; the loss of $4.1 million in territory-wide economic output; and a loss of $3.9 million one-time contribution to the GDP. There is also an estimated loss of $885 thousand in taxes to the Territory over the same pay period.

Third, the federal shutdown can sever the reimbursement lifeline that sustains our core public-health workforce and the systems behind them. The Virgin Islands Department of Health's federally supported payroll exposure totals **$**431,729.81 per pay period ($346,812.68 salary + $84,917.13 fringe). That's just to keep people at work. Layered on top is the bi-weekly operational requirement of $501,535.00 for grant-funded program operations—systems hosting, vendor obligations, clinical and surveillance inputs, exercises, supplies, and other non-payroll costs that make those people effective. Together, the immediate exposure is $933,264.81 every two weeks. or $1.9 million monthly

Finally, I would be remiss not to mention the implementation of the new minimum wage in the Government of the Virgin Islands. Senators, the implementation is costing the Government an additional $500 thousand in salary and benefits will have an impact on the government's ability to meet its obligations with a continued shut down and reduced revenues.

The interventions from GVI to cover costs will further strain the Territory's fragile financial situation, leading to potential hardships such as salary delays, job losses, and reduced vendor payments. Crucial projects necessary for effective governance and service delivery could also face delays. Additionally, the closure of national parks and a slowdown in federal services, including passport applications and disaster recovery efforts, could exacerbate the difficulties faced by the Territory.

Conclusion and Recommendation

In conclusion, as the federal shutdown continues to drag on, there are significant risks outside of the SNAP programs that can affect the Virgin Islands economy. With federal employees not being paid, a potential for federal drawdowns to be delayed or suspended, and additional expenditures driven by increased labor costs, the territory will be forced to make difficult decisions to sustain essential government services. There needs to be continued dialogue between the executive and legislative branches of government to be proactive in the current fluid situation for the continuation of essential government services. Therefore, to sustain essential services and maintain fiscal stability, we recommend that the Legislature authorize a reallocation of one hundred million dollars, divided as follows: fifty million dollars for operating capital expenditures, and fifty million dollars reserved for either disaster-related or operating use should the shutdown extend beyond December 1, 2025. This measure will provide the Government of the Virgin Islands with the flexibility necessary to respond proactively to prolonged federal disruptions and ensure continuity of services for our residents.

Senators, this concludes my testimony. Commissioner McCurdy and I are available to answer any questions you may have.