

Plaskett Warns of Tough Road Ahead as USVI Faces Federal Cuts Under New Law, Urges Action on Rum Revenue and Recovery

With federal support for key programs shrinking, Plaskett says the Virgin Islands must now find new revenue, support workforce development, and push the Bryan administration to resolve the rum revenue split and ensure benefits truly help the community.

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Delegate to Congress Stacey Plaskett.

Congresswoman Stacey Plaskett is sounding the alarm about serious consequences for the U.S. Virgin Islands under the federal reconciliation bill signed into law by President Donald J. Trump last week. The sweeping legislation, passed along party lines as H.R. 1 and branded the “One Big

Beautiful Bill Act,” delivers permanent funding wins but also ushers in what Plaskett described as “significant challenges” to the territory’s most vulnerable residents through cuts to Medicaid, Medicare, SNAP, and other critical programs.

Plaskett acknowledged that [the permanent rum cover-over rate](#) of \$13.25 per proof gallon for the Virgin Islands and Puerto Rico marks a historic victory for the territory. However, she noted that this achievement comes with a cost. “As I have consistently indicated from the beginning of the year, the bill will also bring significant challenges to our territory through cuts to Medicaid, Medicare, SNAP, and other critical programs,” she said.

In response, Plaskett’s office has already contacted both the Legislature and the Virgin Islands Government’s finance team to share concerns and offer federal support, according to a release issued Thursday.

She encouraged local leaders to begin preparing now to mitigate the bill’s impact. “It will be imperative for the Virgin Islands local government to focus on finding new revenues and act creatively to remedy the impacts of federal cuts locally,” Plaskett said. She added that such efforts must include jump-starting local businesses, supporting workforce development, and mobilizing for infrastructure projects tied to federal recovery dollars.

At the core of Plaskett’s message is a call for the territory to capitalize on the current federal cost-share waiver secured under the Biden administration. This waiver dramatically reduces the Virgin Islands’ share of federally funded disaster recovery costs. As she explained, infrastructure projects approved before September 30, 2024, now require just a 2% local match—down from the original 10%—with other projects needing only 5%. That shift, she said, represents nearly \$1.5 billion in potential savings for the territory.

“This represents an unprecedented opportunity to complete our hurricane recovery while stimulating economic growth,” Plaskett noted. She urged the Government of the Virgin Islands to use this window to attract small businesses and new industries that can contribute to sustainable long-term growth.

Beyond recovery, Plaskett also addressed the rum cover-over structure, calling on the Bryan administration to pursue what she described as unfinished business related to the distribution of global rum revenues. Under the Caribbean Basin Initiative (CBI), imported rum made outside the Virgin Islands and Puerto Rico generates cover-over payments that are meant to be split between the two territories. However, Plaskett said no adjustment was made to the distribution ratio after Diageo shifted production from Puerto Rico to the Virgin Islands. “I previously engaged both the Mapp-Potter and Bryan-Roach Administrations on this issue,” she said, adding that she hopes the current administration will now revisit the matter to ensure the Virgin Islands receives its fair share.

She also stressed the importance of ensuring that rum companies receiving cover-over benefits use those funds in ways that maximally benefit the Virgin Islands community.

“While federal cuts will create challenges, we also have untapped resources and underutilized opportunities at our disposal,” Plaskett said. She framed the coming years as a “critical recovery window” that demands decisive local action. “My team and I remain ready to work with Governor Bryan and his team along with the Legislature of the Virgin Islands to ensure that we can not only weather these changes but emerge stronger,” she concluded.

