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Bryan's Financial Team Admits Structural Deficit as USVI Increases FY2025 Budget to $1.46 Billion

A $28.4 million increase in the General Fund boosts the V.I. government’s budget to $1.46 billion for FY2025, but concerns persist over delayed vendor payments, retroactive wages, and reliance on disaster recovery projects for growth

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The financial team for the Government of the Virgin Islands has acknowledged that the territory is grappling with a structural deficit, compounded by revenue deficiencies, even as they revise upwards the revenue projections for FY2025, bringing the total budget to $1.46 billion.

The acknowledgement contradicts Governor Albert Bryan's continued stance that the GVI does not have a money problem, reiterated during his interview with the Consortium's Ernice Gilbert last week.

Finance Commissioner Kevin McCurdy, addressing the Senate Committee on Budget, Appropriations, and Finance on Tuesday, confirmed the ongoing fiscal challenges while expressing cautious optimism for marginal revenue increases before the fiscal year ends on September 30th.

Despite these financial constraints, the FY2025 budget has been adjusted from $1.44 billion to $1.46 billion, primarily due to a $28.4 million increase in the General Fund, which now totals $925 million. All other budget categories remain unchanged. McCurdy explained that this increase was intended to address “critical items for the fiscal year,” such as an additional $17 million for projected health insurance costs, $5.9 million more for miscellaneous wage expenses, and another $5.9 million to cover prior-year audit services.

The revised budget comes as the government struggles to meet outstanding financial obligations, including $44 million in vendor payments and approximately $141 million in retroactive wage obligations. McCurdy told lawmakers that while the GVI continues to grapple with a structural deficit, the administration remains hopeful that some revenue growth may occur in the remaining weeks of the fiscal year.

Acting Director of the Office of Management and Budget Kimika Woods explained that the budget adjustment was possible because the finance team had initially excluded anticipated revenues from recovery projects when presenting the budget in June. She noted that disaster recovery projects, expected to drive economic growth, have been delayed due to various factors, including a shortage of available workers in the territory.

To address these delays, the government is launching the Rebuild USVI initiative, which will bundle recovery projects into billion-dollar packages, and establishing a Super Project Management Office to accelerate reconstruction efforts. Key projects, such as the Charlotte Amalie High School, continue to lag behind, with demolition and rebuilding still in early stages.

Despite the increased revenue projections, lawmakers voiced concerns over the financial stability of the territory. In July, the Office of Management and Budget imposed a sweeping 5% cut across all government allotments due to cash flow issues, and the administration is now seeking a $50 million line of credit to cover its debts until larger tax revenues are received in October and April.

McCurdy highlighted some positive economic indicators, stating that the local labor market is performing strongly, with unemployment levels lower than pre-pandemic rates. He also noted that inflation has begun to slow, although this assertion was challenged by some lawmakers, including Senator Ray Fonseca, who argued that inflationary pressures remain high in the territory.

Nevertheless, McCurdy asserted that the Consumer Price Index had shown a modest decline in inflation rates since their peak in October 2023. He emphasized that these trends, along with improved energy production efforts by WAPA, are signs that the territory’s economy continues to exhibit resilience.

As Tuesday’s expanded projections hinge on the successful execution of recovery projects, Senator Franklin Johnson expressed concerns about potential risks to these forecasted revenues. McCurdy responded confidently, stating that the projects are "stable" and expected to begin by the end of the calendar year. Office of Disaster Recovery Director Adrienne Williams-Octalien echoed this sentiment, confirming that several key projects, including the Charlotte Amalie High School, have already received notices to proceed.