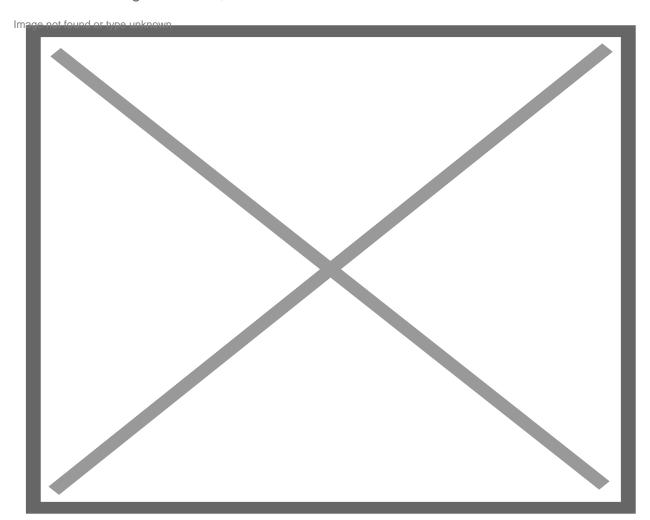
## **FY2026 Budget Hinges on Construction Projects to Boost Revenue Amid Conservative Spending Plan**

Governor Bryan's \$1.64B budget counts on \$78.5M in construction projects to raise key tax collections, as OMB officials defend a conservative approach shaped by tariff risks, federal uncertainty, and missed deadlines in prior fiscal years.

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Nelcia Charlemagne June 04, 2025



Construction site. By. GETTY IMAGES.

Led by Julio Rhymer, director of the Office of Management and Budget, Governor Albert Bryan's financial team on Tuesday provided an overview of the FY2026 Executive Budget, repeatedly described as "conservative," to the Committee on Budget, Appropriations, and Finance.

The total \$1.64 billion budget includes \$936,426,140 in general fund appropriations, a marked increase from the \$864,132,155 in the FY2025 budget.

"We have taken a highly conservative approach due to many uncertainties driven by the current environment in the US government," Mr. Rhymer said. The cancellation of federal grants has the potential to place the territory in a particularly precarious position. The impact of tariffs, too, has placed OMB on high alert. "As we go through this budget cycle, there will be a need to adapt to the fluidity of the political and economic environment," he told committee members.

"I think the director of OMB is being prudent, smart, to try to be as conservative as possible," Senator Hubert Frederick would later remark.

Local revenue sources are expected to contribute to revenues at varying levels. Individual income taxes receipts are projected to decrease by 2%, dropping from \$423.4 million to \$414.1 million. According to Mr. Rhymer, "this conservative projection is deemed prudent due to the unpredictable national and global economic climate." However, OMB is holding onto hope that the commencement of capital projects totaling \$78.5 million could ultimately increase personal collections to \$492.5 million, which would represent an almost 13% improvement over last year.

Similarly, corporate income tax collections are projected to decrease by 5% compared to FY2025. Current estimates put the total to be collected at \$74.8 million. Just like with individual income taxes, however, construction is expected to have a positive impact on collections. Real property taxes, on the other hand, are expected to increase by 2.5%, moving from \$64 million to \$65.6 million. "This optimistic projection is supported by steady growth in Real Property Tax values and a continuous strength in demand," noted Mr. Rhymer.

Gross receipt taxes, too, are expected to increase by 3%. OMB expects that \$220.2 million will be collected by the end of FY2026. "This upward trend is attributable to anticipated capital project bundles and construction activities," explained Mr. Rhymer. Excise taxes are projected to rise by 1.5% for a total of \$37 million. If construction projects go according to plan, an additional \$11.7 million in excise taxes could be collected.

"It's kind of apples to oranges," explained Joel Lee, director of the Bureau of Internal Revenue, when questioned on the disparity between increases in some tax projections and decreases in others. "Excise is tied to the many wonderful projects that contractors will be bringing in as far as materials and goods and supplies."

Meanwhile, "the proposed FY2026 budget from the Government of the Virgin Islands includes expenditures totaling \$1,759,678,223," said Mr. Rhymer. "The total federal grants funding projected to be available to the territory for FY2026 has increased significantly by 237%, reaching \$20,652,759,692," he continued. The Office of Disaster Recovery anticipates spending \$643.5 million of that amount in the upcoming fiscal year.

Of special interest to lawmakers were outstanding vendor payments. Following a \$17 million payment for monthly health insurance premiums on June 1, "the adjusted balance of outstanding rental payables was approximately \$23 million," testified Mr. Rhymer.

"What we're trying to do is kind of focus in on our local vendors," said Finance Commissioner Kevin McCurdy after being pressed by committee chair Senator Novelle Francis. The Department of Finance is working with individual chief financial officers to "make sure that the invoices are in the system."

Lawmakers were equally concerned about payments to off-island vendors, particularly to those providing behavioral health care for Virgin Islanders on the mainland. "I've been getting a lot of phone calls from vendors off-island for behavioral health that have not been paid from January to now," reported Senator Kurt Vialet. Mr. McCurdy said that these payments are also "prioritized" during departmental meetings. "We need for them to prioritize those things that will prevent that level of disruption," he stated.

Senator Dwayne DeGraff was dismayed to learn that no allocations have been made for retroactive payments in the FY2026 Executive Budget. "Remember, the governor mentioned it. The governor mentioned you'll do \$25 million a year," the lawmaker cautioned.

Senator DeGraff's line of questioning also revealed that the governor's and lieutenant governor's salaries had been budgeted at \$192,000 and \$162,000, respectively, in the FY2026 budget. "We're gonna fix that," Mr. DeGraff promised. The Legislature is expected to <u>pass legislation to rescind</u> the raises on Wednesday. He also affirmed his intention to "fix" the minimum wage allocation in the budget. "It's about time we start putting employees first...we gonna make that happen."

Excluded from the budget is the 3% increase for the Government Employees Retirement System (GERS) employer contribution. "That additional 3% is going to cost the government a significant amount of money. So, how do we afford that while balancing a budget?" Mr. Rhymer countered after Sen. Milton Potter posed the related question. A solution, he suggested, "might be half a percent or 1% per year for the next three years, versus 3% all at once." The Government Employees Retirement System, last November, <u>pushed back the implementation of the fee hike</u> from January 1, 2025 until the beginning of the new fiscal year.

With the first budget hearing scheduled for June 10th, individual departments and agencies will soon defend their budget requests, constrained by conservative budget ceilings and uncertainties where federal funding is concerned.

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