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Bryan Unveils Fiscal Impact of Government Salary Increase, Warns of $200 Million Debt Risk and Heightened Inflation

Governor Bryan's analysis projects a $40 million annual payroll increase from raising the minimum salary to $35,000, warns of up to $200 million in new debt, inflation risks, and salary compression across more than 9,000 employees, urging a phased rollout

Government / **Published On June 17, 2025 03:43 PM /**

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Governor Albert Bryan Jr.

Governor Albert Bryan Jr. on Tuesday issued a fiscal impact analysis highlighting the financial implications of legislation recently approved by the 36th Legislature that raises the minimum annual salary for government workers from $27,000 to $35,000. The mandated increase is scheduled to take effect on October 1, 2025.

The analysis, conducted by the governor's financial and personnel team, was commissioned to help lawmakers and the public understand the broader consequences of the salary adjustment on the Government of the Virgin Islands, according to Government House. The governor expressed support for increasing wages but warned that the legislation as passed would create major financial pressures and drive inflation in the territory.

"We agree that workers in the Virgin Islands should be paid more," Governor Bryan said. "In fact, just last year, I supported the notion of an increase to the government's minimum wage. But this move, as it stands, will place a massive burden on our finances, and—perhaps most concerning—will undoubtedly add to the inflation woes Virgin Islanders are already facing, potentially negating the very increase it intends to provide."

According to Mr. Bryan, the analysis outlines the extent to which the measure could impact both government operations and the broader economy. While acknowledging that raising public sector pay is a just and necessary goal, he underscored the need for "coordination and responsible planning" to avoid destabilizing services or diminishing government purchasing power.

Among the key findings, the analysis projects an annual increase of $40 million in payroll and fringe benefit costs, raising total payroll expenditures from $488.9 million to about $529 million—an 8.2 percent increase, according to Government House. The measure also triggers a 3% rise in employer contributions to the Government Employees' Retirement System (GERS), further deepening long-term pension liabilities, the administration said.

The projected increase in the territory's debt load, without offsetting revenue or cost savings, could fall between $120 million and $200 million over the next three to five years, the analysis found. Although the wage hike directly affects 679 central government employees, over 5,200 others would require upward adjustments due to salary compression. The legislation also leaves out more than 4,100 workers in semi-autonomous agencies and instrumentalities, who are likely to expect parity, significantly increasing the overall cost, the Bryan administration argued.

The governor's team estimates that the resulting increase in tax revenues—approximately $6.1 million—would fall well short of covering the added expenses.

Beyond the financial implications, the report warns that implementing the raise all at once, without broader economic reforms or a phased approach, could intensify inflation throughout the territory. As the cost of goods, services, and housing rise, the benefit of higher wages may quickly be eroded.

Governor Bryan also pointed to recent labor unrest in the V.I. Police Department in the St. Thomas–St. John district as evidence of how sudden wage policy changes can disrupt government operations. "This is not a theoretical exercise. We are already seeing the ripple effects in labor relations and operational stability," the governor said. "We must make decisions that protect not just our employees, but also the public we serve."

In his remarks, the governor reaffirmed his commitment to public workers and noted the importance of partnership with lawmakers and labor groups in crafting a plan that balances wage growth with fiscal responsibility. "We can and must do better for our public servants—but we must do it together," he said. "I am urging the Legislature to join me in a practical, collaborative effort to raise wages responsibly, with thoughtful implementation, long-term planning, and transparency."

According to Government House, the governor’s team offered several recommendations to manage the fiscal impact of the salary increase, including phasing in the raise over three to five years to ease budget pressure, conducting a comprehensive compensation and classification study to prevent salary compression, exploring operational efficiencies to manage costs without cutting essential services, and improving data collection and workforce analysis through interagency coordination.