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Bryan Celebrates Rum Revenue Win, Warns of Looming Threats to Housing and Medicaid in New Federal Law

Governor Bryan hails the permanent rum cover-over rate as a major breakthrough for the Virgin Islands, but cautions that new federal mandates on Section 8 and Medicaid could severely impact vulnerable residents and strain local budgets in the years ahead.

Government / **Published On July 08, 2025 05:19 AM /**

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President Trump's “big beautiful” federal spending bill, signed into law last Friday, provides permanent relief on an important economic issue for the Virgin Islands while sparking a host of other concerns for the territory's financial future.

The permanent extension of the rum cover over rate from $10.50 to $13.25 has been lauded as a "major victory," most recently by Governor Albert Bryan Jr. during a Government House press briefing on Monday. "This is significant now because we no longer have to lobby the Congress every few years to extend this much-needed and critical funding stream at the higher rate," he said, noting that this is the culmination of a decades-long effort spanning multiple administrations.

However, the positive news about the rum cover over rate came with a caveat. As of now, the increased rate will not be paid retroactively. However, "we haven't given it up as a lost cause," Governor Bryan said. "We're still going to try to bang it out." Even so, the governor admitted that "the further away we get from 2021, the harder it is to make that money back up in the GERS." With an approximate shortfall of $92 million to be made up in that regard, "we'll be going back and trying to put the hard press on and see if we can get some money out of Congress," Governor Bryan said.

Other bright spots include the provisions to remove taxes on tips and Social Security. "I really applaud the president for doing that," Governor Bryan said. These measures are limited, however. Tips over $25,000 annually will still be subjected to taxes, and policy experts say that seniors will still end up paying taxes on Social Security benefits.

The federal spending bill also contains some troubling implications for the future of some of the most vulnerable Virgin Islanders. The most worrying issue for Governor Bryan is perhaps "a provision in the law that would limit Section 8 funding to two years," he said. Noting that his administration "has prioritized affordable housing opportunities for Virgin Islands families," he pointed out that "this measure in particular serves to challenge those efforts significantly in the years to come."

Other areas of concern include more stringent requirements for Medicaid, including recertification twice a year instead of once, leading to "twice as much work," with costs shifted to the territory. "We don't get that subsidy," the governor noted. He argued that recent legislative action raising the minimum wage for government workers also shifts additional hidden costs to the territory. The increase in salaries means that these employees will likely no longer be eligible for food stamps, valued at "three to four thousand dollars a year," according to Governor Bryan. Instead of receiving that federal assistance, the local government is now paying that money in the form of increased wages, which will be taxed. Therefore, "you're actually probably making them poorer than they were before," the governor argued.

In order to insulate themselves somewhat from the deleterious effects of current federal spending policies, Virgin Islanders should "take advantage of the myriad of programs that we now have in place," Governor Bryan urged. "Take advantage of the free tuition, the skills, trade and workforce development programs. Take advantage of the opportunities of upskill or to open a new business. The time to grow is now," he said.