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VI Government Braces for Revenue Losses; OMB Seeks $50M Credit Shift to Weather Shutdown

As the federal shutdown halts SNAP benefits and threatens revenues, OMB Director Julio Rhymer asked lawmakers to approve a $50 million credit reallocation to sustain essential services, warning that tax losses could total millions if the crisis extends.

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With the federal shutdown cutting off key funding streams and halting nutrition assistance for thousands of Virgin Islands families, local officials are bracing for an economic slowdown that could ripple through every sector of the territory's economy.

The Bryan administration is preparing to spend millions to support residents affected by the suspension of SNAP benefits, while at the same time anticipating a drop in government revenues as unpaid federal employees spend less. Office of Management and Budget Director Julio Rhymer told lawmakers on Thursday that the territory must be proactive to sustain essential operations if the shutdown extends beyond December 1.

Rhymer urged the Legislature to authorize the government's finance team to reallocate $50 million of the Virgin Islands' line of credit, which would serve as a financial buffer until federal operations resume. He said the measure would automatically terminate once the federal government reopens.

"When federal employees are not paid, this will result in lower tax revenue for the territory," Rhymer said. "The revenues that will be affected will not only include withholding taxes, but gross receipt taxes."

He explained that roughly 1,200 federal workers in the territory are directly affected and will face challenges paying for mortgages, loans, groceries, and daily expenses. The shutdown, he warned, could cause an estimated $2.1 million decline in overall economic output and a $1.7 million one-time drop in gross domestic product (GDP).

Rhymer added that the SNAP interruption could further hurt the private sector. "The interruption in SNAP benefits could actually lead to a decline in revenue for grocery stores, farmers and small businesses, particularly low income areas," he said.

Calling the situation "serious and immediate," the OMB director said the SNAP program supports about a quarter of the Virgin Islands' population, and that the territory could lose roughly $6 million in federal aid, shrinking the local economy and deepening hardship for vulnerable residents.

Beyond lost consumer spending, Rhymer cautioned that the shutdown threatens vital government functions. "The federal shutdown can sever the reimbursement lifeline that sustains our public health workforce and [the] systems behind them," he told senators. He also warned that disaster recovery projects could slow significantly, forcing the government to make "difficult decisions to sustain essential government services."

To address the unfolding situation, Rhymer called for "continued dialogue between the executive and legislative branches of government to be proactive in a current fluid situation." Under his proposal, $25 million of the $50 million would go toward operating and capital expenditures, with the other half reserved for disaster-related programs or as a funding bridge for government services if the shutdown continues.

"This measure will provide the Government of the Virgin Islands with flexibility necessary to respond proactively to prolonged federal disruptions and ensure continuity of services of our residents," Rhymer said.

Not all lawmakers were fully comfortable with the proposal. Senator Alma Francis Heyliger expressed concern over the plan, noting she was "not sold" on the line of credit, citing its past use. However, Finance Commissioner Kevin McCurdy defended the measure, emphasizing the urgency of preparation. "If it goes past November 15, it's just chaos," he said.

Despite initial hesitation, senators approved the administration's request on Thursday, adding the line-of-credit authorization as a non-germane amendment to an unrelated bill, ensuring the government can move swiftly should the federal shutdown continue.