The Virgin Islands Consortium

Bryan Submits $1.27 Billion 2020 Budget. In It, Hurricane Economy Propels Growth, But Path To Sustainability Depends On Gov't Action.

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Ernice Gilbert May 31, 2019

Governor Albert Bryan delivered to Senate President Novelle Francis on Thursday his administration's first budget, which represents projections for Fiscal Year 2020. The budget, delivered on the deadline provided by Virgin Islands law, was described by the governor as "a well-researched and realistic spending plan that is designed to align the government expenditures with realistic projections of revenue collections. It also acknowledges the long-standing obligations of the Virgin Islands that represent deficits in our Treasury."

The budget includes $1.27 billion in expenditures, which includes $69.1 million for debt service payments, $216.3 million of federal funds, and $941.9 million of local funds. It also includes $75 million to pay income tax refunds owed to Virgin Islands residents for tax years 2016, 2017 and 2018; an increase in the minimum requirement of the Insurance Guarantee Fund from $10 million to $20 million, and a $5 million appropriation to the Budget Stabilization Fund, the latter of which Mr. Bryan said was in the spirit of "Change Course," as it's the first time the Budget Stabilization Fund has ever been contemplated in a budget.

Because some of the proposals in the 2020 budget need legislative action before being enacted, the budget also includes a number of bills to facilitate the changes. They include the following:

- Moving EMS to the VI Fire Services from the Department of Health
- Changing the minimum requirement for the Insurance Guaranty Fund from $10 million to $20 million
- To create the Office of Collective Bargaining as an independent agency within the Office of the Governor
- To repeal the Department of Education’s authority to hire without going through the normal established procedures of the Executive Branch

The budget proposal comes without a $30 million excise tax projection, as the once-reliable source of revenue was halted by the District Court of the Virgin Islands in 2018 following a suit. The matter is expected to see a ruling soon, and Mr. Bryan has said if a ruling in favor of excise tax collections were to occur, "we will approach the Legislature with an amended budget to reflect those anticipated revenues."

The 2020 budget comes with added pressure of $41 million in employee raises enacted by former Governor Kenneth Mapp. "I have made an annual allotment of 1 percent of the budget to allow for any increases. Additional funding has also been added in anticipation of concluding contract negotiations with the other bargaining units currently in negotiations," Mr. Bryan said.

Director of the Office of Management and Budget, Jennifer O'Neal, said while the local economy's recovery hasn't been strong enough to dramatically improve unemployment, quickly put job seekers back into the workforce who have dropped out, or reduce part-time employment, it has been strong enough to facilitate 35,000 non-agricultural jobs territory-wide. Additionally, with rebuilding becoming the most critical focus of the U.S. Virgin Islands following the 2017 storms, construction is now the largest jobs sector in the territory, Ms. O'Neal said.

"This budget signals a turning point where we were able to plan for current service levels while making additional strategic investments with ongoing and one-time-only resources. Yet even without the pressure of budget reductions, the territory must be smart about what we do and how we do it, ensuring that we reflector community’s values and can meet the continuing challenges we face. Years of budget reductions have left many programs operating at bare bones levels and we are feeling the pressure to enhance and expand selected services in areas of community concern," the O.M.B. director said.

Even as the administration expects to meet budget projections -- and even see a possible increase in revenue if the excise tax matter is resolved in favor of the government -- Mr. Bryan cautioned that the current economic climate is propelled by post-hurricane activity aided in great part by federal dollars, which poured into the U.S. Virgin Islands and lifted the construction sector. Commerce also grew, lifting gross receipt taxes. To that end, Mr. Bryan said these numbers "can only be maintained by being conservative in our budget approaches and building the economy that makes this revenue sustainable. As governor, I have proposed a budget that provides the needed resources, while rebuilding and enhancing the services we provide to our employees and to our community as a whole. Yes, there must be belt-tightening and innovative approaches that will sometimes make us uneasy, but with a collaborative commitment throughout government, we are sure to experience success that will benefit our beloved Virgin Islands."

The budget proposal, a well detailed document, can be read in full here.

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