



THE UNITED STATES VIRGIN ISLANDS
OFFICE OF THE GOVERNOR
GOVERNMENT HOUSE
Charlotte Amalie, V.I. 00802
340-774-0001

May 30, 2022

The Honorable Donna Frett-Gregory
Senate President
Thirty-Fourth Legislature of the Virgin Islands
Capitol Building
St. Thomas, VI 00802

RE: Proposed Executive Budget for Fiscal Year 2023/2024 for the Government of the Virgin Islands

Dear Madam President:

I am pleased to submit to the 34th Legislature of the Virgin Islands our proposed Executive Biennial Budget for the Government of the Virgin Islands for Fiscal Years 2023 and 2024. The theme of our budget proposal is "Framing our Financial Future". We have carefully chosen this theme because it reflects the Administration's focus on proactively preparing for the next economic cycle. We believe we have submitted a budget recommendation that illustrates that focus.

The United States Virgin Islands is experiencing an unprecedented period of economic stability. We have endured two major economic shocks within the past five years that would have otherwise been expected to plunge our economy into recession. Instead, thanks in large part to a strong response of federal aid by the Federal Government and the prudent fiscal management of our local government, the hurricanes of 2017 and the global coronavirus pandemic have created an environment for economic growth and transformation.

We are once again projecting revenue growth in all five major revenue collection categories: Personal Income Tax, Corporate Income Tax, Real Property Tax, Gross Receipts Tax, and Excise Tax. The strength of these revenue collections has allowed us to propose a budget plan that addresses several critical expenditure areas. This budget includes funding for 1,211 new and vacant positions. There is a set aside of over \$16 million for public employee wage increases. There is \$2 million to support the vital work of the Office of Disaster Recovery. There is \$1.8 million to fund the expansion of the very successful GVI Fellows program as we award new fellowships. There is \$4.5 million to offset increasing utilities cost. There is a \$5 million appropriation to the Rainy Day Fund in each of the next two fiscal years as we continue our commitment to strengthening the local cash reserves of the Government. I am also pleased to announce that this budget proposal, for the first time in a very long time, retains funds in the Transportation Trust Fund to allow for road maintenance as was originally intended by the creation of the Fund.

The Proposed Executive Biennial Budget includes \$919,493,992 in General Funds for Fiscal Year 2023 and \$921,636,078 in General Funds for Fiscal Year 2024. The total operating budget including appropriated, non-

appropriated, and federal funds is \$1,333,735,753 and \$1,325,418,495 in Fiscal Years 2023 and 2024 respectively. This projection of relatively stable revenue collections provides a strong basis for addressing the longstanding obligations of our government. Perhaps the largest of those remaining obligations is the repayment of the retroactive wages owed to government workers that has accumulated over the past few decades. The Proposed Executive Biennial Budget includes \$25 million in both Fiscal Year 2023 and 2024 to continue the repayment of these owed wages.

Our efforts to reverse the pending insolvency of the Government Employees Retirement System have thankfully been successful. We should all celebrate the great collaboration and effort that brought about that success and will benefit this community for decades to come. However, that success did require considerable sacrifice. The proposed budget reflects a 100% reduction in transfers to the General Fund from the Internal Revenue Matching Fund (IRMF). The great majority of revenues collected through the IRMF have now been pledged towards the reduction of the unfunded liability of the Government Employees Retirement System. There is an additional \$12.5 million of obligations that were previously funded through the Internal Revenue Matching Fund that have now been shifted to the General Fund. This has been a significant, but necessary and worthwhile adjustment to the budget planning.

Of course, even as we enjoy the benefit of a strong cycle of economic prosperity, we must be mindful of developing the means to sustain that prosperity. It is vital that we maintain the operating expenditures at a sustainable level. Paying off one-time obligations is one thing but finding resources to address reoccurring expenses is an entirely different matter. Our economy has been buoyed by federal and local public spending over the past few years, but the sustainability of tax revenues will be dependent on the continued growth of private sector economic activity and investment. Our current mission should be to foster an environment that is conducive to that activity and investment.

To that end, the Proposed Executive Biennial Budget includes a modest \$10 million in revenues from the anticipated adoption of Adult-Use Cannabis legislation. We will be submitting proposed legislation as part of this budget that, if adopted, would create a substantive source of new revenues while fixing the flaws and omissions of the current medicinal marijuana law. This revised legislative proposal incorporates the knowledge gained from the forums organized by the 34th Legislature in Colorado this past November with NCSL policy experts, Colorado state officials, and industry practitioners. I look forward to our continued collaboration to advance this policy measure.

Our Administration has been very deliberate in bringing about fiscal stability to the Government of the Virgin Islands and I am pleased to say that we have been very successful. Those actions have successfully led to consistently strong revenue collections and with the support of the Legislative Branch, we've continued to reinvest those revenues to assist individuals, families, and small businesses in our community. While we continue that important work, we are now shifting our focus to ensuring that the progress of the last few years is resilient and long-lasting. The proposed Executive Biennial Budget for the Government of the Virgin Islands for Fiscal Years 2023 and 2024 takes significant strides in that direction. I humbly request your thoughtful and favorable consideration.

Respectfully,

A handwritten signature in blue ink, appearing to read 'Albert Bryan Jr.', with a long horizontal stroke extending to the right.

Albert Bryan Jr.
Governor