

Virgin Islands Unemployment Fund Back in the Black After 15 Years as Final Federal Loan Payoff Nears

Labor Commissioner Gary Malloy says the unemployment insurance trust fund now has a net positive balance of more than \$4 million and is on track to retire its remaining federal loan in May, easing pressure on employers after years of crisis-driven debt.

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The U.S. Virgin Islands' unemployment insurance trust fund has returned to positive territory for the first time in more than 15 years, a milestone the Bryan administration said marks a major shift for the territory's labor and fiscal outlook after years of debt tied to economic crises and emergency borrowing.

Labor Commissioner Gary Molloy announced Monday that as of March 20, 2026, the trust fund held a net positive balance of more than \$4 million, with a total balance of \$16,995,132.93 and a remaining federal loan balance of \$12,956,917.81.

“For the first time in more than 15 years, the Virgin Islands unemployment insurance trust fund is back in the black,” Molloy said during the Government House press briefing.

Molloy said the turnaround is significant not just because of the fund’s current positive position, but because of how deep the territory’s unemployment debt problem had become. As recently as 2022, he said, the Virgin Islands was carrying nearly \$100 million in federal debt tied to its unemployment insurance system.

He said that debt had built up over time as the territory absorbed one major economic shock after another, including the Great Recession, the 2012 closure of Hovensa, Hurricanes Irma and Maria in 2017, and the Covid-19 pandemic in 2020.

According to Molloy, the territory responded by adopting what he described as a federally compliant payroll-based tax structure, strengthening employer contributions, and pursuing an accelerated debt repayment strategy in coordination with the 33rd Legislature and the Bryan-Roach administration.

“The results are clear,” Molloy said. “We have moved from deficit to surplus, from borrowing to stability, and from uncertainty to confidence.”

He said the restored stability has practical consequences for both workers and employers. A solvent trust fund, he said, puts the territory in a better position to support unemployed workers without falling back on federal emergency borrowing. It also means employers will begin moving away from the higher federal unemployment tax penalty rates that came with the outstanding debt.

Molloy said the V.I. Department of Labor is now on track to make the final payment on the remaining federal loan in May 2026, which would fully retire the debt and close a chapter that has weighed on the territory for more than a decade.

Bryan, who noted that he had dealt with the issue while serving as labor commissioner years earlier, described the development as one of the administration’s most meaningful financial accomplishments. He said the territory once had no clear path to paying off the unemployment debt, and credited sustained low unemployment with helping change that.

“The fact is that our economy is doing so well that we were able to pay off \$100 million loan in unemployment taxes,” Bryan said.

He said unemployment in the Virgin Islands has held at 3.84 percent for the last four years, a level he described as unprecedented in local history. According to Bryan, that meant money that would otherwise have gone toward unemployment payouts could instead be used to reduce the loan balance.

Bryan also said the development should bring real relief to employers, who had been carrying the burden of the elevated tax structure. He described the unemployment-related tax as one that could run as high as 5 to 6 percent on an employee’s salary up to a certain wage threshold, and said businesses will now begin seeing that burden ease.

During the briefing, Bryan also asked about a \$25 surcharge that had once applied under the system. In response, Molloy said that charge had already been removed through legislation passed in 2019, and no longer applies moving forward, aside from older outstanding obligations tied to earlier years.

Later in the question-and-answer portion, Molloy clarified how the debt repayment worked. He said employers paid the principal on the loan, while the government covered the interest. He said the additional employer penalties helped reduce the principal balance, while annual interest obligations fluctuated between about \$1.5 million and \$1.9 million depending on the outstanding balance.

Molloy was also asked whether the restored solvency could reopen discussion about unemployment benefits as living costs continue to rise. He said changes have already been addressed under Act 8827. According to Molloy, the territory reduced the duration of unemployment benefits from 26 weeks to 16 weeks, but did not reduce the payment amount. He said the strategy was to move people back into the workforce more quickly while jobs remain widely available.

Bryan, a former Labor Commissioner, added that the territory already pays one of the highest unemployment benefit rates in the country, citing a maximum weekly benefit of \$668. He said the issue at the moment is less about the payment amount than the length of eligibility, particularly in a labor market where unemployment remains low and employers continue struggling to fill positions.

He suggested that if unemployment rises again in the future, the territory may eventually want to move back toward longer benefit periods.

Bryan also credited Molloy with helping secure an escalating rate structure through the Legislature that ties employer tax experience more closely to the system.

Taken together, the announcement was framed Monday as a sign of stronger fiscal management and a healthier economy. Molloy called it proof of what leadership, strategy, and execution can produce. Bryan called it a long-awaited win that offers real relief to businesses while strengthening the territory's ability to weather future downturns.