

LAWMAKERS UPDATED ON THE FINANCIAL STATUS OF THE TERRITORY

Date : February 5, 2019

ST. THOMAS- Members of the Committee on Finance, chaired by Sen. Donna Frett-Gregory, convened in a meeting at the Capitol Building on Tuesday, to receive testimony on an update of the financial status of the Government of the Virgin Islands (GVI) and the Disaster Recovery Funds.

Sen. Frett-Gregory noted that this is an opportunity for the Governor's Financial Team to provide a clear understanding of local and federal dollars and the use of funds moving forward. "Transparency is critical and necessary for lawmakers to make informed decisions."

Currently, GVI is operating with an ongoing structural deficit estimated at \$415 million. The aftermath of Hurricanes Irma and Maria created a downward ripple effect on the financial condition of the Territory by hindering revenue collections which led to liquidity issues. As a result, GVI borrowed additional Working Capital Funds from the Federal Government inclusive of the Community Disaster Loans (CDL) totaling \$215 million; of which \$144 million is for the Central Government, \$42 million for the Juan F. Luis Hospital and \$28 million is for Schneider Regional Medical Hospital. Sen. Stedman Hodge inquired about how will CDL be repaid. Department of Finance Acting Commissioner Kirk Callwood stated that Gross Receipt Taxes secure CDL. The start date for loan repayment begins in April 2019.

The Fiscal Year 2018 revenues collected as of September 20, 2018, are \$710 million to include tax collections. Additional revenues collected was \$27 million. Overall, this totals \$737 million for General Fund revenues. GVI distributed \$40 million for Income Tax Revenues in FY 2018 and is expecting refund payments estimated at \$38 million for FY 2019. The increase in personnel cost for the salary of government employees totals \$25,550,789. Out of that, the Department of Education will receive an estimated \$15 million. Equally important, the balance on insurance proceeds is \$53 million out of \$120 million. The amount expended was \$67 million, and that was distributed to government agencies to assist with necessary repairs.

To date, GVI has \$36 million for cash-at-hand. "That is concerning to me because \$36 million equates to 16 days. This is not a true representation because there are vendors that are still unpaid," said Sen. Frett Gregory. Sen. Novelle Francis added that there needs to be a Cash Management Team to ensure vendor payments because vendors pay Gross Receipt Tax. As of January 31, 2019, GVI's General Obligation Debt totals \$861.6 million; to include CDL. The Matching Fund Revenue Obligation Debt is \$802.9 million.

Separately, the Federal Government has awarded \$1.6 billion for approximately 1,000 projects inclusive of the 500 projects that are going through the lengthy process of inspection and approval.

The Federal monies cover post-hurricanes damages throughout the Virgin Islands. Out of those monies, government agencies were issued \$722 million for the Disaster Recovery Funds. The Federal Emergency Management Agency has obligated \$894 million for approved projects.

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