

Unclear Budget Projections and Elusive Rum Funds Fuel Tensions in V.I. Senate

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Lawmakers continue to express concerns that a murky picture of government finances is hindering them from being able to make good decisions regarding appropriations and government spending.

The enormous challenge of grappling with the territorial budget, spread as it is across a myriad of government agencies and departments with funds coming from several different resource pools, was made apparent on Tuesday as the government finance team appeared again before the Senate committee on Budget, Appropriations and Finance.

Office of Management and Budget Jenifer O’Neal presented a slightly slimmed down revised budget for fiscal year 2024 – \$1.397 billion, down from \$1.423 billion as presented in early June.

The change comes from a proposed \$26 million reduction in general fund appropriations. Ms. O'Neal said that "prudent budgeting" required the trim down, given shifts in the territory's economic prospects since the 2024 budget was first presented earlier this year.

The biggest item to be axed was \$15 million in funded vacancies across central government, including \$3.6 million worth at the V.I. Police Department, \$3 million in the Department of Education, \$2.7 million worth of vacancies at the Bureau of Corrections, and \$2.4 million at the Department of Human Services – all agencies that have had to contend with significant understaffing. Ms. O'Neal said that the struggles to onboard sufficient workers meant that money was being set aside for vacancies that remain unfilled, and so the positions were eliminated in favor of having agencies provide line item lump sums for their critical hiring needs.

However, committee chair Senator Donna Frett-Gregory disagreed with the move, arguing that that approach was tried previously, and discarded. "What happens is, the legislature loses control over the purse strings. And when we peel back the layers and when the departments or agencies come before us, we see these positions, some of them are positions of grandeur, if you will."

Ms. Frett-Gregory had the same concern about the legislators' knowledge of the government's general financial profile. The chair questioned the government's finance team about why information about the government's various fund balances was not being shared freely. "We have to pull teeth to get updated...financial reports from Finance," she complained. "We can't make decisions and provide the requisite services to our community without having proper information."

Senator Marvin Blyden asked whether there was a plan in place to begin providing regular, accurate updates to the Legislature on the issue. Department of Finance Commissioner nominee Kevin McCarty was not able to outline a specific plan, but acknowledged that "what we need to do is just get serious about accountability." He floated the idea of possibly maintaining separate bank accounts as a means of better managing the funds, but admitted that for now, "we need to find a way to reconcile our accounts". The issue of major funds showing significant negative balances has been ongoing [for years](#), and in this budget cycle Ms. Frett-Gregory indicated several times that her committee would not be appropriating anything meant to come from funds with balances in the red.

Uncertainty about when the rum cover-over rate will permanently increase has heightened anxiety among budget committee members. Nathan Simmons, director of finance and administration at the V.I. Public Finance Authority, disclosed that the territory is set to receive \$212 million in cover-over payments from the U.S. Department of the Interior this year. These funds will be distributed among various entities, including the rum companies. The Government Employees Retirement System (GERS) is technically due \$158 million but will not receive the full amount. Instead, it will face an estimated shortfall of \$40 million," Mr. Simmons said. "This is because the payment to the territory is once again calculated at the lower \$10.50 rate, rather than the \$13.50 'extended' rate used in resecuritization calculations.

Ms. Frett-Gregory was not mollified by Mr. Simmons's attempts to reassure her that GERS would be made whole when the cover-over rate issue is rectified. "We don't know when it's going to happen," said the senator, noting that GERS had recently asked the Legislature for financial support to [stave off temporary insolvency](#). "The Legislature has to know what's happening. We have to be involved and have to be able to make decisions. We are working on a budget," the committee chair chided, noting that the permanent extension was originally expected to be in place by [last December](#).

Congressional Delegate Stacey Plaskett recently admitted that there was no firm timeline in place, as a [suitable piece of tax legislation](#) to which the cover-over amendment could be attached had not yet been identified. Although Ms. O’Neal, the OMB director, indicated that the House Ways and Means Committee Chair, Jason Smith, signaled months ago that a tax bill would soon be making its way to the floor, Ms. Plaskett said last month that she expected that measure to die in the Democrat-controlled Senate if it was passed in the Republican-led House of Representatives.

With so many moving parts, and so much information that is still unclear, it was obvious to everyone in attendance during Tuesday’s meeting that some serious number-crunching and juggling would have to occur to ensure a solid financial plan for the territory’s year ahead.

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