The Virgin Islands Consortium

Lawmakers Question GVI's Ability to Repay New Line of Credit Amid Cash Flow Issues

Lawmakers skeptical about government's revenue collection and debt repayment plans

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Several legislators remain unconvinced that the government of the Virgin Islands would be able to make timely payments under a new line of credit proposed by the governor as one method for overcoming short-term cash flow concerns.

Nonetheless, during Friday's meeting of the Senate Committee on Budget, Appropriations and Finance, several members of the GVI's financial team insisted to lawmakers that a new line of credit would be of great help. Jenifer O'Neal, director of the

Office of Management and Budget, shared that almost $70 million of the existing $100 million line of credit has been utilized, while $3.7 million has been repaid. The repayment came from a FEMA refund of monies used for a Waste Management Authority project. As it stands, $42.7 million remains available for withdrawal from the existing line of credit.

Department of Finance Commissioner Kevin McCurdy told lawmakers that it would be “great” if officials were allowed to use some of those funds to pay off some of GVI’s debts, including outstanding payments to WAPA in the region of $11 million. “Access to a revolving line of credit,” said Ms. O’Neal, would be used to tide the government over during the “six months where the revenues are lower….By the time we get to April when the revenues kick into high gear, we can repay the line and bring it back to zero,” she affirmed. The cycle would begin again in the final quarter of the year “when it starts to slow down again,” she explained.

“In order to continue to make payments, we need access to cash,” said Ms. O’Neal, explaining, as the governor recently did, that other jurisdictions often utilize similar funding avenues to allow for “flexibility during those down cycles.”

Even so, several lawmakers expressed reservations about this proposal, including Senator Marise James. “What leads you to believe that revenue collections … now or in the next few months, would cause us to have more money?” she wondered. Joel Lee, director of the Bureau of Internal Revenue, expressed optimism that funds available to the government would be replenished after the April tax season.

Without legislative approval for the revolving line of credit, Ms. O’Neal told Ms. James that the current situation would persist. “Whenever cash comes in, then payments would be made, but understanding that there is a priority to payments, with payroll being first… and then after that, we look at the hospital payments,” explained the OMB’s director. “Some things will take priority over others.” In that vein, lawmakers learned that funds allocated for retroactive wage payments have instead been used to facilitate regular payroll.

Committee Chair Senator Donna Frett-Gregory was also skeptical about the proposal. “You're saying that the funds that you are going to generate as things pick up, will [be utilized] to cover the line of credit for that period where it was slow. But how do we ever get back to making up the delta in our special funds, and get back to some semblance of order?” asked Ms. Frett-Gregory. Accounts, she said, need to be reconciled, repeating concerns expressed during the last budget cycle.

Senator Alma Francis Heyliger said that she remained confused following the various conversations on the state of the territory’s finances. “I have to sit with my colleagues for us to decide how we could do this, if [there is] the need. But you guys have not relayed to us collectively this need.” She also shared similar sentiments with Senator Marise James, regarding the ability to repay a new line of credit. “What happens when we don't have those monies? How are we going to find money to do the other drawdowns?” she asked the financial team. She wondered whether yet another line of credit would be requested.

“These things scare me,” Ms. Francis Heyliger admitted. “Until we get accurate numbers, I don't feel secure in making decisions.”

There is not yet any word on when a new draft bill would be brought before the Legislature. Mr. McCurdy confirmed that as of Friday, January 19th, the GVI had approximately 6.5 days of cash on hand.