

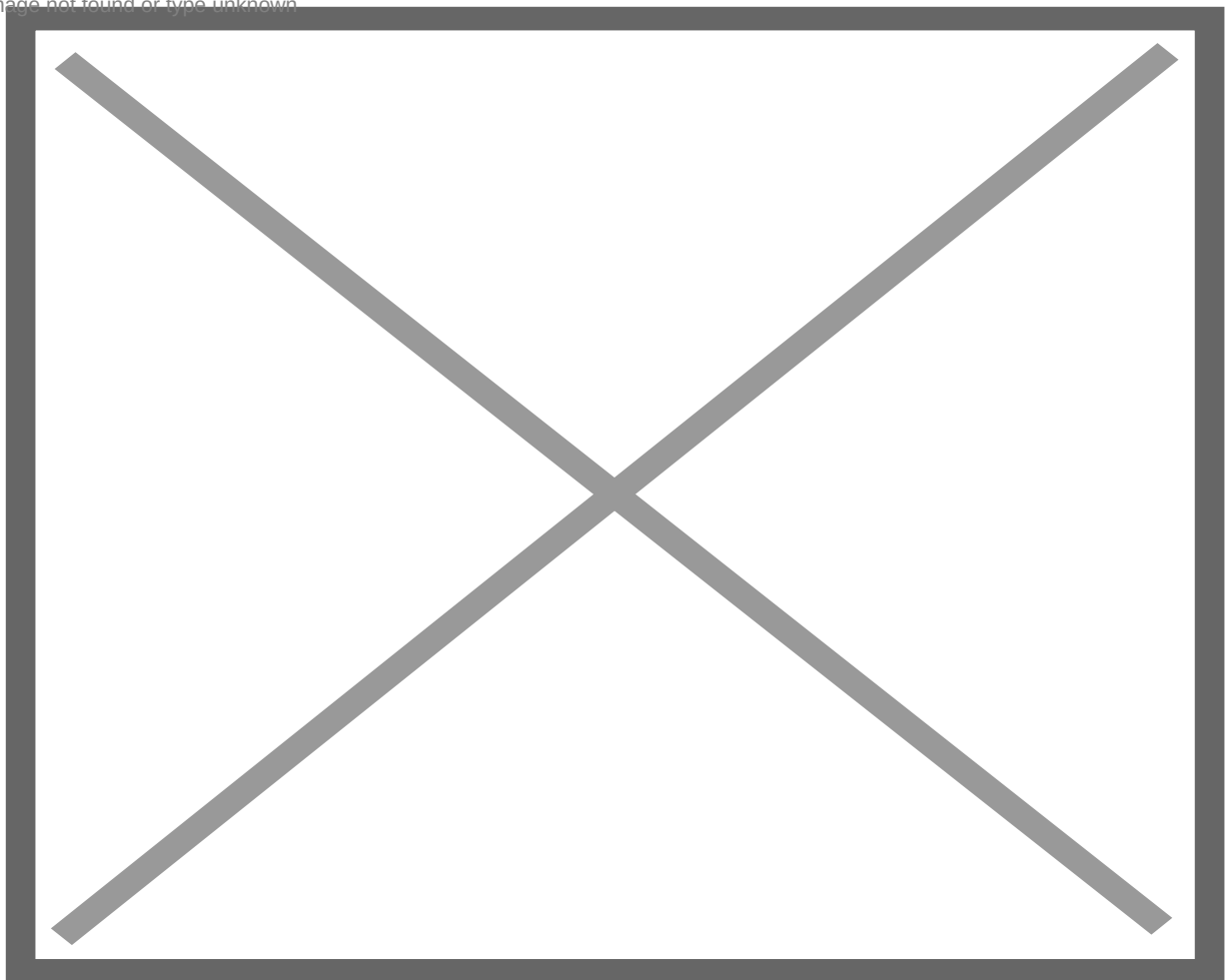
GVI Faces \$68 Million Shortfall as Expenses Outpace Revenue; Agencies Plan Aggressive Fee Collection

OMB Director Urges Aggressive Revenue Collection: Jenifer O’Neal calls for government departments to increase efforts and explore new revenue streams

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The Government of the Virgin Islands is currently some \$68 million behind in forecasted revenues for the 2024 financial year to date, according to Finance Commissioner Kevin McCurdy.

Mr. McCurdy, the final presenter during Tuesday’s Spring Revenue Estimating Conference, disclosed that revenue collections have plummeted in all categories, bar one. “We’re essentially back to 2019 levels in terms of our collections,” Mr. McCurdy explained. These revelations from the Department of Finance underscored the recurring theme of Tuesday’s conference: the need for new revenue-generating activities.

Office of Management and Budget Director Jenifer O’Neal called for revenue-generating government entities to “do their part,” urging various departments to hit the ground running on projects currently in the pipeline. She also made a case for more aggressive revenue collections, explaining that “we are kind of tapped out with the revenue [sources] that we have.” Ms. O’Neal also tasked the legislative branch of government to come up with new revenue streams, and called for a holistic approach. “The effort has to be there,” she implored.

Meanwhile, with expenditures quickly outpacing revenue collection, Governor Albert Bryan Jr. suggested that the territory may need to also host an estimating conference for cash outflows. “Expenses are what our real problems are,” he lamented, noting that the “rapid pace of inflation” continues to burden the territory. “Inflation is real for the government too,” he noted, looking cautiously ahead to the new projects expected onstream in the coming months. “Even though the money looks good, the expenses are increasing exponentially,” Governor Bryan said, advocating for a “conservative” approach to budgeting and a “realistic look at expenses” to stabilize the territory’s financial outlook.

The heads of several departments indeed aligned their presentations with the approach suggested by the leaders of the government’s finance team, outlining plans for increased revenue generation and collection in the 2025-2026 financial year.

The Department of Property and Procurement, for example, intends to enforce the 10 per cent late penalty fee associated with late rental payments. This is anticipated to bring in just under \$4 million in FY2025. Additional staff at P&P dedicated to revenue collection, said Commissioner Lisa Alejandro, would undoubtedly also increase their capacity in that regard.

The Department of Planning and Natural Resources, for its part, broached the possibility of introducing new legislation to increase penalties for various violations. Meanwhile, the Virgin Islands Police Department forecasts that revenue for FY2025 will be \$763,962, over \$100,000 more than this year’s projections. The additional revenue comes as a result of the VIPD’s recently implemented fee increases “especially those for firearms and firearms renewals,” according to Commissioner Ray Martinez. Although mandated by statute in 2011, the VIPD just began charging the new rates some months ago, the commissioner noted.

The Department of Licensing and Consumer Affairs also anticipates higher revenues in the upcoming financial year, citing plans for “aggressive” delinquency enforcement measures” and increasing board and commission licensing. The Bureau of Motor Vehicles intends to continue the ease of access to online services, implement a new cash management system, introduce the new driver’s license and non-citizen ID card, and implement the Driver Improvement (Points) program - all intended to generate more money.

Among the FY2025 projections from the Bureau of Internal Revenue was a mammoth \$47 million increase in individual income taxes over FY2024 projections. That number piqued the interest of OMB’s director who wondered “what drives that.” According to the Bureau’s director Joel Lee, it depends on whether new capital projects materialize. “If they’re able to deliver all these projects, I know we’re going to need employees to build and construct and typically their salaries are a lot higher,” he explained. He was, however, unable to articulate a model for arriving at that number, instead stating that “there is no formula.” Whether BIR’s optimistic projection is borne out in the months to come, then, remains to be seen.

The Department of Tourism also provided an exceptionally positive outlook, however Commissioner Joseph Boschulte’s projections are based on an expected increase in airlift into the

territory, supported by several hotels at various stages of development. Hampton by Hilton, with 126 rooms, is expected to open on St. Thomas in 2025. Hotel on the Key in St. Croix should open with 78 rooms in 2026. In addition to the expansion in land-based tourism capacity, cruise tourism remains “the backbone of our tourism product,” according to Mr. Boschulte. The Department of Tourism anticipates 1.7 million cruise passengers in 2025, while tourism experts remain confident that “the USVI is still number one in the Caribbean in terms of cruise passengers' spend,” he disclosed. The Department of Tourism projects conservative hotel tax revenue for 2024 at \$43 million. Year-to-date, \$16 million has been collected in tax revenues, over \$3 million more compared to 2023.

The projections provided during the annual Spring Revenue Estimating Conference are expected to set the tone for the budget preparation process for the upcoming financial year. Towards the end of the month, the governor is expected to forward a [budget proposal to the legislature](#), kicking off a months-long series of hearings by the Senate Committee on Budget, Finance and Appropriations. The entire process will culminate with the passage of a [slew of appropriations](#) which set funding levels for the government and dependent entities for the 2025 financial year.