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Record-Breaking Tourism Gains Shadowed by \$6 Million in Unpaid Vendor Bills

Boschulte outlines the department's successful marketing strategies and record-breaking tourism statistics while addressing the pressing issue of nearly \$6 million in outstanding vendor payments

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St. Thomas, USVI By. V.I. CONSORTIUM

The V.I. Department of Tourism hopes its proposed FY2025 budget of \$34,441,073 will help it continue successfully promoting the U.S. Virgin Islands as a premier tourism destination. Just \$7,037 shy of its revised FY2024 budget, this year's requested sum is expected to cover a host of line items including salaries and fringe benefits, office expenses, collateral, public relations, social media and marketing, and sponsorship of events by the Division of Festivals.

“We intend to execute our mandate to market the territory within our approved FY2025 budget,” stated Tourism Commissioner Joseph Boschulte before the Committee on Budget, Appropriations, and Finance on Tuesday.

Despite the department's successes, a concern looms over the Department of Tourism: outstanding vendor payments. Replying to a query from Senator Novelle Francis Jr., Mr. Boschulte admitted that the department owes approximately \$1.7 million to primarily local vendors on top of some \$4 million owed to marketing and public relations agencies.

Mr. Boschulte was quick to state that the department is not wholly at fault. “We don't collect the money, and we don't print the checks. So all we try to do is do our part to collect the invoices, verify that work was done, and submit them for payment,” he said. Management at the Department of Tourism has already met with the Department of Finance “about prioritizing our payments,” which the commissioner noted are made through the Tourism Advertising Revolving Fund, not the General Fund.

According to Mr. Boschulte, DOT continues to appeal to the Department of Finance to “allow for some of these funds in the Tourism Advertising Revolving Fund to be used to pay the expenses we have outstanding.” The Finance Department is currently using a “pool cash approach” to pay off vendors. But for Senator Francis, more urgency is needed. “Close to \$6 million is not a good look. I think that we really need to close the loop on this.”

It's a reality that disturbed Senator Donna Frett-Gregory. “Your credibility as the Tourism Department of the United States Virgin Islands is moving south very fast...who's going to want to do business with you as it relates to just the overall promotion of this territory.” Paying vendors promptly is a means of protecting the territory's “number one industry.”

Proposing a suggestion, she told her senate colleagues that “nothing prevents us from moving legislation that says that our hotel room tax must sit in its own bank account” to prevent commingling with other funds. Those funds could then be accessed on a needs basis to pay off vendors. “What we're doing here is very, very dangerous to the tourism industry,” warned Frett-Gregory.

The budget committee chair has promised to hold “a behind-the-scenes discussion with [the Department of] Finance” to better understand the issues creating a bottleneck with vendor payments from the Department of Tourism.

Meanwhile, Mr. Boschulte reported that airlift increased by 26% over last year, and the territory recorded 374,420 overnight passengers during the December to March winter season. The USVI is currently “on a pace to surpass the previously set record of 827,000 air passenger arrivals in 2021,” he shared.

Mr. Boschulte based these successes on the impact of “consistent communication with airline partners and executives at key industry events.” Local hotel occupancy rate, too, has grown by 12.4% in the last 12 months. Average daily hotel rates of \$603 in the USVI are higher than those in other Caribbean nations, noted the Commissioner. Hotel tax collections as of May 2024 had already surpassed the figure recorded in May 2023 by \$35,934,054. As far as the Department of Tourism can tell, it's going to be a “record-breaking year.”

The success of the St. Croix Christmas Festival, St. Thomas Carnival, and St. John Celebration was touted. “We are proud of the continued growth of this beloved cultural celebration,” said Mr. Boschulte. Outside of hosting all three events, the Division of Festivals participates in overseas

marketing initiatives and is integral in the Department's partnerships with the New York Jets, Chicago Cubs and Boston Red Sox with the overall goal of "[expanding] reach and [bringing] new visitors to our shores."

Ultimately, the Department of Tourism is confident that the proposed FY2025 budget will enable it to continue its successful initiatives while addressing the critical issue of vendor payments.

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