The Virgin Islands Consortium

Bill Advances New Funding Path for GERS

Lawmakers advanced a bill from Senator Avery Lewis directing net proceeds from sales of hotel development projects financed through tax-exempt bonds to GERS, while Lewis agreed to add a 75/25 split sending the government's share to healthcare.

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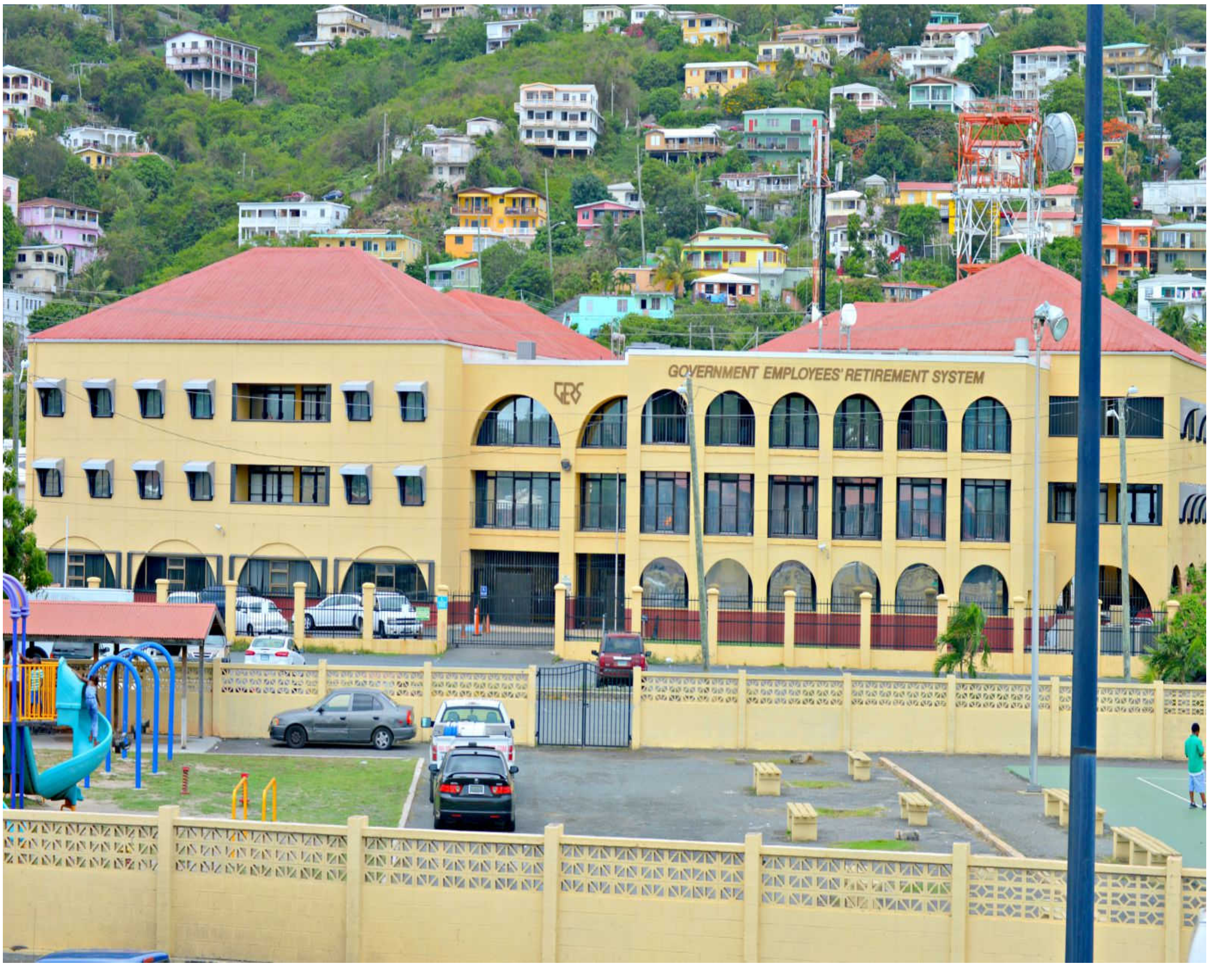

GERS headquarters in St. Thomas, USVI. **By. V.I. CONSORTIUM.**

Senator Avery Lewis won committee approval Tuesday for legislation aimed at providing additional funding to the Government Employees' Retirement System if hotel development projects financed through tax-exempt bonds are sold.

Bill 36-0238 amends Title 29, Virgin Islands Code, chapter 23, and states in part that, notwithstanding any other law, any net proceeds derived from the sale of a hotel development project financed by tax exempt bonds issued by the Hotel Development Financing Corporation would be transmitted to GERS instead of the Government of the Virgin Islands, unless otherwise prohibited by federal law or applicable bond covenants.

Lewis, who sponsored the measure, described it as a needed step for the retirement system.

“We must take bold, decisive action to ensure that our retirement system remains solvent,” Mr. Lewis declared. “This is not about weakening the general fund. This is about strengthening the overall financial health of the Virgin Islands.”

The bill received support from the Public Finance Authority. Attorney Denise Rhymer voiced no opposition to the proposal and said the PFA “recognized the importance of identifying meaningful funding mechanisms to strengthen GERS.”

GERS Administrator Angel Dawson also welcomed the measure, though he cautioned that GERS would benefit only under a specific circumstance. According to Dawson, GERS would only receive funding “if the hotel is sold prior to final maturity of the bonds.” It is the only way, he noted, that GERS would receive a potential “largesse.”

Even so, Dawson commended the effort to support the retirement system, particularly given its $3.4 billion unfunded actuarial accrued liability.

Although the measure appeared to have broad support, Senator Hubert Frederick raised concerns about directing all proceeds away from the government at a time when the territory regularly faces financial emergencies.

“What if WAPA goes down now and they need some money immediately? The cash flow that we got from any proceeds of selling a hotel [is] gone, because it's going to the GERS,” he mused. “I might not be too inclined to support this bill, because let's say it's a windfall of $500 million; all of a sudden the general fund gets no benefit from that because it goes directly to the GERS.”

That discussion led lawmakers to consider whether any future proceeds should be split between GERS and the Government of the Virgin Islands, especially because major facilities such as the territory’s hospitals continue to require financial support.

Lewis initially appeared reluctant to make that change, stating that “the two hospitals are being rebuilt from scratch. The GERS don't have millions of dollars allotted to those two healthcare systems.”

Still, after a brief recess, he agreed to move forward with amendments when the bill is taken up by the Committee on Rules and Judiciary.

Lawmakers agreed to forward the measure, and Lewis said he will add language establishing a 75/25 split in any proceeds from a potential sale. Under that proposal, GVI would receive 25 percent, and those funds would be tied to healthcare.

“I'm working on it immediately,” Senator Lewis promised.