

The Virgin Islands Consortium

V.I. Government 'Nearing Brink of Financial Collapse,' Mapp Says

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Governor of the U.S. Virgin Islands, Kenneth E. Mapp.

Our government is nearing the brink of financial collapse.

The Virgin Islands government is facing a budget shortfall of \$91.2 million, Governor Mapp revealed during his first State of the Territory Address in St. Thomas on Monday night.

In the almost 1-1/2-hour speech, he explained, in detail, the government's past surplus under the Charles Turnbull administration and the de Jongh administration's exhaustion

of those funds, which was largely set in motion by the recession that struck the United States beginning in early 2008. Furthermore, the territory's financial and economic ills were compounded by HOVENSA's shuttering in early 2012, Mapp said.

After assessing the government's various departments and agencies, Mapp said his reaction to the findings was to "drink a glass of water" because the results painted a daunting picture of an economy teetering on the verge of collapse, with little to no resources to help steer it back to prosperity.

"Upon leaving office in 2007, Governor Charles Turnbull left a net cash available balance of \$233 million," Mapp began. "Since that time, the government of the Virgin Islands has collected an average of over \$702 million annually, and has had available approximately \$169 million annually in federal grant funding. In addition, we also borrowed \$1.2 billion for working capital and project-related activities.

He continued, "This new administration must now begin with a critical shortage of funds and obligations that far outpace revenues projected for fiscal year 2015."

Mapp went on to list the government's various financial obligations that are separate from the \$91.2 million budget deficit.

"General Fund appropriations for basic critical services and operations of the government exceed revenues by approximately \$91.2 million dollars," he said, adding, "This does not include mandates and obligations for which there are no appropriations, such as the newly imposed three-point increase in employer contributions to the Government Employees Retirement System, estimated at \$7.5 million.

"This shortfall also does not include the \$10.3 million due to the Juan F. Luis Hospital, as part of the System Improvement Agreement with CMS (Centers for Medicare and Medicaid Services) or \$26 million for the deficit of the Workers Compensation Fund, or the over \$41 million due to the Government Employees Retirement System as employer contributions, or the \$40 million payment on our outstanding working capital loan, which is due on September 30th, 2015," Mapp explained.

Clearly, even meeting the government's payroll will continue to be a challenge.

"And finally," Mapp added, "our growing debt to the Water and Power Authority for our hospitals amounts to \$42 million, plus the \$9.2 million owed to taxpayers in income tax refunds.

"In short, the current \$91.2 million shortfall does not include the \$176 million in additional obligations I have just noted," he said.

Mapp then outlined some of the decisions made by former Governor de Jongh that have negatively impacted the territory. He also highlighted the fact that the government continues to struggle to make payroll, and also revealed the Virgin Islands owes its debtors \$2.4 billion.

"Our government is nearing the brink of financial collapse," Mapp bluntly stated. "Our ability to deliver basic essential services to our communities is diminishing more and

more each day.

"My predecessor made a decision to halt employer contributions to the GERS, halt payments of income tax refunds, delay vendor payments as long as possible, and cease payments for workmen's compensation claims for those who have been injured on their jobs," Mapp said.

We have but one option -- to rebuild a sound and stable financial condition for our territory. I want you to understand, that financially, it will get worse before we rebound, but rebound we will.

He went on, "All of these factors underscore a worsening fiscal condition. Clearly, even meeting the government's payroll will continue to be a challenge. So, my friends, the state of the territory is critical, and its financial condition is worsening.

"The government's long term debt and debt service obligations have more than doubled since 2007. This growth is consuming a greater share of dwindling government revenues. Debt service payments for the current fiscal year are approximately \$140 million dollars, for total debt obligations of \$2.4 billion dollars.

"A full 62 percent of the \$1.2 billion dollars we borrowed in the past eight years -- or \$763 million -- went directly to sustaining basic government operations," the governor explained.

Mapp said the V.I. government has spent "every penny we have laid our hands on," and lamented decisions made by the former de Jongh administration that allowed private-sector businesses to gain access to public funds and benefits without putting up collateral.

"We have borrowed and borrowed again, not only for ourselves and essential services, but also for others, to fund private-sector ideas called public-private partnerships, where we didn't even require or ask our private partners to put capital, equity and/or risk on the table," the governor said.

"We have borrowed to fund projects that the federal government would have gladly funded; projects it has funded for the territory in the past," he said. "So, financially, we are not in a good place. In fact, our territory has never been in such a state in our history."

Yet, even after making plain the territory's dismal financial state of affairs, the governor tried to convey hope.

"To survive and recover, which we have the fortitude and ability to do, will also require great courage," he said. "Courage to make some difficult decisions. Courage to work with some folks you may not have gotten along with in the past. Courage to be transparent and embrace the reality in which we find ourselves.

"We have but one option -- to rebuild a sound and stable financial condition for our territory. I want you to understand, that financially, it will get worse before we rebound, but rebound we will."

