

The Virgin Islands Consortium

Plaskett Praises Obama's FY 2016 Budget Allocating Over \$300 Million To Territory

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President Barack Obama's fiscal year 2016 budget allocates hundreds of millions of dollars to the territory, including \$211 million in rum cover over payments and \$103 million in annual appropriations for various programs.

Delegate to Congress Stacey Plaskett praised Obama's decision, saying she was encouraged to see Obama's dedication to the well being of the territory.

"It is encouraging to see the Administration's commitment to the nation's island territories in this budget proposal," Plaskett said. "Federal investments in the infrastructure, education, energy, and health care of Virgin Islanders are critically important for our

territory, now more than ever."

According to a statement from the Department of the Interior's Office of Insular Affairs, President Obama's 2016 budget assumes that Congress will pass the extender legislation as it's consistently done, which would keep the Virgin Islands rum cover over tax at \$13.25 per gallon.

The territory is encouraged by federal legislation to offer rum companies tax breaks as incentive to establish themselves here. The federal government then collects \$13.50 for every proof gallon of alcohol imported into the U.S. mainland from the territories. Then, as mandated by law, the federal government returns at least \$10.50 per gallon to the Virgin Islands and Puerto Rico, depending on the amount of imported rum.

Bringing the total in returned tax revenues to \$13.25 to the territory is an added \$2.75 per gallon, which must be approved by Congress every two years in tax extender legislation. Without the tax extender, tax revenues would revert back to \$10.50 -- hurting the V.I. government's coffers.

Yet, even as the V.I. government stands to collect hundreds of millions in rum cover over payments, most of the funds will be used for direct cash payments to Cruzan Rum and Diageo -- the territory's main rum producers -- and to service debt.

The revenues being made available to the territory comes as part of Obama's FY16 budget of \$643.6 million for the Department of the Interior's Office of Insular Affairs -- which includes the \$103 million in annual appropriations. Some of the appropriations include \$7 million for climate change adaptation and resilience; \$4.4 million to pursue sustainable energy strategies; \$5 million in school maintenance; \$17.5 million in technical assistance for insular area governments; and \$27 million in mandatory funding for capital improvement projects.

While the \$103 million comes at a time when the territory is in dire need of aid, Plaskett said she would continue to "fight to ensure that our territories are not forgotten by the authorizers and appropriators here in Washington, and work with our federal partners to identify and secure all possible funding sources for our residents.

Assistant Secretary for Insular Areas Esther Kia'aina said Obama's 2016 budget request "demonstrates his strong commitment to the U.S.-affiliated insular areas."

"The request supports quality of life in the insular areas by bolstering programs aimed at improving K-12 public school facilities and confronting energy security challenges," she said.

The funds are part of Obama's proposed FY16 budget of \$643.6 million for the Department of the Interior's Office of Insular Affairs, with \$540.6 million in permanent and indefinite appropriations mandated by law being appropriated to the U.S. Territories and the Freely Associated States, according to a statement from the OIA.

The Freely Associated States include the Federated States of Micronesia (FSM), the Republic of the Marshall Islands (RMI) and the Republic of Palau.

