The Virgin Islands Consortium

Banco Popular Loans GVI $40 Million Backed By Anticipated Property Tax Payments

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ST. THOMAS -- The Government of the Virgin Islands (GVI) has made known through a press release issued earlier today that Puerto Rico's Banco Popular has loaned it $40 million, which the GVI says it will repay once anticipated property tax payments are made.

The government sought the loan from Banco Popular after senators of the 31st Legislature passed a measure late July authorizing the action, which was later signed into law by Governor Kenneth Mapp.

The RAN measure, bill No.31-0147, expanded a 2013 law that allows the government to borrow up to $40 million in each fiscal year, secured by anticipated tax revenues — a setup that helps allay issues relative to cash flow. The measure also increased the borrowing cap to $60 million while at the same time eliminating the requirement to pay back the loan within a 12-month period.

According to Finance Commissioner Valdamier O. Collens, the funds will be used for working capital purposes and to cover the projected shortfalls in revenue collection during fiscal year 2015.

Collens also thanked Banco Popular for being the purchaser of the RAN, adding that by this latest action, the bank continues to strengthen its longstanding relationship with the government.

Bill No. 31-0147 is one of two measures aimed at shoring up the government's bottom line as it tries to stay afloat for the remaining fiscal year. At a protracted Senate session at the Early B. Ottley Legislative Hall in July, lawmakers fiercely debated whether the government should be borrowing money at a time when it was struggling to generate revenue. But others, including Senators Clifford Graham and Kurt Vialet, argued fervently in support of the measures, daring their colleagues to come up with others funding sources or face a financial crisis where "payless paydays" would be a normality.

“My colleague from St. Croix, the good former principal, is absolutely correct,” Senator Clifford Graham, chairman of the powerful Committee on Finance, strongly stated -- referring to Vialet. “Ladies and gentlement, the FY15 budget is supported by $50 million in property taxes. The property tax bill is coming out in August; are we going to collect $50 million before the end of September? The answer is no. So all the RAN does, is allow you to collect that $50 million in a loan to complete the fiscal year, and then when the property tax bills are paid, it repays the RAN."

Graham was referring to RAN measure bill No. 31-0148.

“So you make up your mind. It’s either you support the RAN, or you’re going to have payless paydays; it’s as simple as that. There’s no other way to add it up. The biggest cost of this government is payroll," he added.

Feature Image: Finance Commissioner Valdamier O. Collens.

Image Credit: GVI.