

The Virgin Islands Consortium

Only \$35 Million Remain From \$220 Million ArcLight Windfall; VI Economy Continues To Struggle

Business / **Published On February 17, 2016 10:48 AM /**

Ernice Gilbert **February 17, 2016**



ST. CROIX -- The Government of the Virgin Islands has already expended \$95 million from the \$220 million windfall it received on January 4, 2016 through wire transfer from Limetree Bay, a subsidiary of ArcLight Partners, L.L.C., Finance Commissioner and Executive Director of the Public Finance Authority Valdamier Collens said on Tuesday, during a Committee on Finance hearing. Mr. Collens, joined by other Mapp administration officials, including Office of Management and Budget Director Nellon Bowry at the Earl B. Ottley Legislative Hall to discuss the fiscal condition of the government, painted a picture that was not entirely disappointing, but one that showed a considerable drop of tax revenues, and an economy that continues to struggle.

Mr. Collens also revealed that another \$90 million had been set aside to fulfill obligations that are "inextricably linked" to the HOVENSA sale. He said \$55 million will go towards the 2015-16 budget deficit, another \$25 million to restore previously communicated allotment reductions, and \$10 million to repay the government's outstanding line of credit.

As for the \$95 million already expended, Mr. Collens said \$50 million was used to pay the original [Revenue Anticipation Note](#) (R.A.N.), \$22 million for tax refunds, \$19 million for legal, consulting and bank fees related to the HOVENSA litigation and bankruptcy transactions, and \$4 million towards the outstanding balance of approximately \$20 million of the WAPA Street-lighting fund. The expended and committed amounts totals \$185 million, which leaves the government with a net sum of approximately \$35 million.

On the economic front, while visitor arrivals and, as a direct result, hotel stays remained strong, Mr. Bowry revealed that tax revenues dropped 14 percent compared to the same time period last year, which could lead to a \$54 million drop in revenue if the trend continued through the end of the fiscal year. Mr. Bowry revealed that income tax was down 20 percent year-over-year, with both personal and corporate income taxes taking a big hit. The government also saw a decrease in the property tax category.

It was not yet known why tax revenues saw such a devastating drop this year, but Dr. Simon Jones Hendrickson, the Mapp administration's chief economist, said the Bureau of Economic Research was in the process of conducting an analysis.

The drain of the territory's middle class started in earnest with the closure of the HOVENSA refinery in 2012, as nearly 2,000 employees were made redundant and the ripple effects thereof ravaged the economy. But the exodus has continued to this day, as growth has been virtually nonexistent and opportunities scarce. Mr. Bowry, however, said as the U.S. economy continues to improve, the territory stands to benefit directly.

Additionally, Mr. Collens said that ArcLight had upped the number of employees it intends to hire from 200 to 279. And the administration is hoping that the [recent announcement](#) of over 800 government jobs, as well as capital projects set to take effect this year, will buttress the economy where other sectors fail.

Asked by Senator Clifford Graham, chairman of the powerful Finance Committee, how long it would take for the territory to start feeling the positive effects of American economic growth, Dr. Jones Hendrickson said between 12-18 months.