

The Virgin Islands Consortium

Mapp Submits \$260 Million Capital Projects Bill To Senate

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ST. CROIX -- Governor Kenneth Mapp submitted a proposed bill providing for the refunding and restructuring of all or a portion of certain series of the government's outstanding matching fund revenue bonds and gross receipts taxes bonds, a move Government House says will allow the government to take advantage of current low interest rates and to provide cash flow relief by reducing debt service cost through fiscal year 2020.

According to Government House, the proposed bill also provides for the funding of up to \$260 million for essential capital projects on all three islands and up to \$26 million for certain critical operating expenses of the government.

The governor indicated in his original letter to Senate President Neville James that this authorization for refunding and restructuring the government's overall debt is an essential component of the executive budget for fiscal year 2017. The proposed financing is in furtherance of the administration's five-year plan, and its implementation at this stage is necessary in order to obtain the estimated savings from favorable interest rates, according to Government House.

Estimated savings based on the current market and provided by Morgan Stanley, the senior manager for the proposed financing, project an overall reduction of the cost of funds, on average, from 5.25% to 3.98%, the release says.

"The savings derived from such a refunding and debt restructuring will provide necessary cash flow relief over the next four years to put us on the path to eradicating the persistent structural imbalance that has plagued our Territory for far too long," Mr. Mapp said.

The administration argues that in order to effectively begin to bring the budget into balance and reduce the deficit, his five-year plan that will include, but is not limited to, reviewing various revenue-generating initiatives to address projected revenue shortfalls, a focused tax-collection campaign by the VI Bureau of Internal Revenue, accelerated efforts to increase federal grant financing, and release of federal funds to meet operating costs, as well as organizational restructuring to reduce operating costs and improve efficiency.

The administration says while the anticipated increase in revenues from such initiatives will not fully eliminate the projected revenue shortfall in fiscal years 2017 through 2020, the proposed restructuring is a means of bridging that gap.

But the administration has seen strong opposition from Senator Janette Millin Young, a leading Democrat in the 31st Legislature, [who called the governor's budget plans](#) "pie in the sky."

"I'm prepared to discuss how we can responsibly cut this pie in the sky budget given that it is woefully out of balance by \$110 million in direct contradiction of the mandates of the Revised Organic Act of 1954. And, since the executive branch has abdicated its responsibility to submit a balanced spending plan, it is left to the Legislature to do so," Mrs. Millin Young said.

She added: "While the administration is taking credit for a nearly 25 percent reduction in the structural projected budget deficit to the tune of \$120 million, there still remains a substantial difference between anticipated revenue collections and proposed spending requirements."

Mrs. Millin Young's response to Mr. Mapp's latest proposal has yet to be made public, but Democrats are expected to challenge the governor, whose spending comes at a time when the territory's financial condition remains in a [precarious position](#).

The proposed bill provides for the funding of up to \$260 million in various crucial capital projects, as part of Mr. Mapp's plan to stimulate the territory's economy by improving and investing in the islands infrastructure, creating jobs, and thereby creating new demand for local goods and services in the private sector which will all result in increased tax revenues to the government.

Among the capital projects to be included in the proposed financing are the funding required to fulfill the government's obligations under various federal consent decrees with respect to the landfills, prisons, and police department, according to Government House. Further, the construction, maintenance, and restoration of certain public schools, including the Elena Christian Junior High School, the Evelyn Williams and Joseph Gomez Elementary Schools, and a new K-8th grade school to be constructed on the island of St. John are considered.

The proposed bill also includes financing for the acquisition and [construction of administrative buildings for certain departments and agencies](#) of the government. Government House says these administration facilities will serve to consolidate various departments of the government to improve efficiency of governmental operations and will eliminate the burden of rental costs of leasing space for such departments. In addition, the revitalization and development of Frederiksted will include improvements to the infrastructure adjacent to the Paul E. Joseph Stadium Complex, the latter project [having been delayed](#) because Mr. Mapp says certain critical architectural blueprints were not included in the original plan.

Financing for a modern St. Croix International multipurpose [sports and events complex](#) on the University of the Virgin Islands campus along with the Paul E. Joseph Stadium Complex development, and other improvements to [historic landmarks, properties, parks, and beaches](#) on all three islands are included in the proposed financing, Government House says, adding that these projects are critical to ensuring that the territory retains its status as one of the greatest tourist destinations and to provide residents with enhanced recreational experiences.

The proposed bill authorizes the issuance of bonds of the Government of the Virgin Islands and/or the Virgin Islands Public Finance Authority to finance all or a portion of the costs of certain capital projects along with working capital and refund and restructure the debt service on all or a portion of various series of outstanding Matching Fund Revenue Bonds. The bill also authorizes the refund and restructure of the debt service on all or a portion of various series of outstanding Gross Receipts Taxes bonds and to fund any necessary reserves in connection with the bonds, as well as pay the costs of issuance of the bonds. The bill authorizes the bonds to be secured by either Matching Fund Revenues or Gross Receipts Taxes.

"As part of the restructuring of the outstanding Matching Fund Revenue Bonds, the Government will consider all favorable candidates, including the outstanding bonds that were issued to finance the Cruzan and Diageo facilities." Governor Mapp said.

Feature Image: Government House, St. Thomas (Credit: Government of the Virgin Islands)