

The Virgin Islands Consortium

Senators Allocate \$100 Million To Fund GERS In Borrowing Bill

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ST. THOMAS -- In a whirlwind Senate session here on Thursday, senators who make up the 31st Legislature [approved a borrowing bill](#), but not before dividing the measure -- Bill No. 31-0447 -- and adding new language through amendment No. 31-1244 -- that allocates \$100 million to the Government Employees' Retirement System (GERS), for what senators say is to satisfy at least a portion of the government's obligation to government employees relative to the pension system. G.E.R.S.'s unfunded liability stands at \$1.7 billion.

The move comes on the heels of multiple news reports on the health of the system and decisions its board of trustees has been considering if no infusion of cash were to be

injected. It also follows an account of a retired police officer -- set to lose her home because she hasn't received a single retirement check from GERS, even after being retired for 9 months -- [laid bare her frustrations](#) to this publication; a video that has [touched the heart of the community](#).

The amendment divides the original bill, which aims to strengthen the economy in five years, to remove the capital improvements portion and make it a standalone, which the Senate will take up in 14 days. But the measure forwarded to Governor Kenneth Mapp today keeps funding of \$6 million for Waste Management Authority's operating expenses, as well as \$25 million for the Juan F. Luis and Roy Lester Schneider hospitals intact.

Today's borrowing bill amounted to \$247 million.

"It took a herculean effort to get most members to agree adding the \$100 million to G.E.R.S.," Senator Nereida Rivera-O'Reilly told The Consortium. She later clarified that the \$100 million was what moved senators to support the measure. "It places great faith and reliance on the five-year plan. This provides an opportunity for all of us to work together to finesse the revenue-generating measures. Most importantly, this addresses the budget deficit.

"All in all the measure is a result of members working together to reach consensus and produce sound legislation," she added.

The monies will be paid, the administration says, through a mix of tax increases, and the creation of new taxes. There will be a review of millage rates (the amount per \$1,000 that is used to calculate taxes on property) on real property tax and tax credits. There will also be a new sin tax, which Finance Commissioner Valdemier Collens did not specify at a Committee of the Whole hearing on Wednesday, as well as "marginal increases on certain products deemed harmful to society," (Mr. Collens pointed out tobacco, alcohol and sugary products), and also "the enhancement of marine users tax."

To procure the new borrowing, the commissioner said bondholders would be secured through a statutory lien on all matching fund revenue and gross receipt tax bonds, which means regardless of what the territory's financial needs are, paying bondholders would be first priority. This system is unlike Puerto Rico's, whose government forewent paying bondholders to keep the government afloat. That decision deteriorated Puerto Rico's standing in the bond market, and led to the position the commonwealth is in today.

In fact, the Mapp administration's proposed lien on the matching fund revenue and gross receipt tax bonds is so heavily tilted towards the bondholders, that it was written in such a way that it would not be annulled even if the Government of the Virgin Islands filed for Chapter 9 bankruptcy.

"Such positions are designed to enhance the security for investors and our current bondholders, along with achieving a higher rating from Fitch," Mr. Collens said. When Fitch [downgraded the territory's bonds](#), a lack of a lien on matching fund revenue — revenues derived from rum exports — was a major reason for the downgrade. Mr. Collens said the lien would prompt Fitch to raise the territory's bond rating from B+ to BB.

The commissioner said Governor Kenneth Mapp's five-year plan was created to mitigate the \$170 million fiscal year 2017 budget shortfall, as well as reducing accumulated debt.

“Please allow me to be clear, the proposed revenue initiatives are not intended to apply additional financial stress for the Virgin Islands Household for basic, everyday goods and services,” he said. “In fact, the proposed revenue initiatives have been structured to add to the territory’s tax base by specifically targeting products consumed by the population of transient consumers who briefly enter and leave the territory.”

The 2017 budget bill was also passed this evening, with a myriad of amendments tacked on to the measure, Bill No. 31-0403.

Correction: September 22, 2016

A previous version of this story incorrectly stated that the Senate today had passed a borrowing measure of over \$400 million. Today's borrowing bill amounted to \$247 million, which included only working funds and the \$100 million for G.E.R.S. The story has been updated to reflect the correct information.