

The Virgin Islands Consortium

Mapp On Economy: Financial Condition Of The Government Continues To Improve

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ST. CROIX -- Governor Kenneth Mapp said on Monday at Government House here that the territory's economy, though not a pace that his administration is satisfied with, was improving nonetheless.

"There's no question that the financial condition of the government continues to improve," he said. "It does not improve at the pace we want it to improve, or the pace we expect it to improve."

The governor said agreements signed during his tenure, to include the [ArchLight Partners LLC agreement](#) that saw the opening of the Limetree Bay oil storage facility at

the former HOVENSA plant, and the [recently ratified horse racing agreement](#) between VIGL Operations, LLC and the government, accounts for more than \$1 billion in monies to the territory and assets to the government.

The governor pointed to tax refund payments made under his leadership that had been halted by former Governor John P. de Jongh, as well as bringing government employees' salaries on par with their signed agreements, as signs of the economy's improvement.

"The ability for us to come in and look at the finances of the government and to pay taxpayers their tax refunds from tax years 2011, 2012, 2013, 2014 and some of 2015, we think is significant," Mr. Mapp said. "The ability to bring government employees on par with the contractual agreements for the number of years that they were not able to have these monies, we think demonstrates an improved government financial condition." Mr. Mapp also noted his administration's hiring of over 1,300 government employees since January 2015 as a sign of improvement to the territory's financial standing.

The economy is "not where we want it to be, but it isn't where it was," Mr. Mapp said. "When I came into office, in my first State of the Territory message, I spoke of the structural deficit. I spoke of the need to develop a strategy to exit the structural deficit." The governor mentioned the Virgin Islands Enhancement and Economic Recovery Act, a five-year plan that the administration says will lift the territory out of economic stagnancy. The Act includes what is called "sin taxes" (taxes on alcohol and tobacco products), as well as taxes on timeshare unit owners, as two possible ideas to be included in the measure. If implemented (the governor said he would call the 31st Legislature into session to take action on the measure before that body's term ends), Mr. Mapp said it would overtime eradicate the government's incessant need to borrow money to satisfy budget shortfalls.

But even with Mr. Mapp's highlight of improvements, top U.S. ratings firms have been lowering the territory's most important bonds -- Gross Receipt Tax and Matching Fund (rum cover-over) -- to near junk status, warning that if the government could not find solutions to grow its economy and generate new avenues of revenue, the situation would deteriorate further. And the governor's assessment stands in stark contrast to that of Standard and Poor's credit analyst John Sugden, who deemed the territory's economic condition as weakened.

"The downgrade reflects weakened economic conditions, declining coverage and revenue trends, and continued reliance on this revenue source to finance operating deficits," Mr. Sugden said of matching bond funds. "It also reflects our view of a closer linkage between the territory's general fiscal condition and the repayment of the bonds, especially during times of significant fiscal distress."

S&P Global said its matching fund bonds outlook was negative, which reflects its view that the continued significant economic, financial, and budgetary challenges the territory faces, absent corrective action, could lead to increased deficit financing and, over time, inadequate capacity or willingness to meet its financial commitment to its obligations, especially if market access becomes constrained.

On Gross Receipt Tax bond, he said, "In our view, the USVI faces significant economic, financial, and budgetary challenges, which we believe could lead to inadequate capacity

to meet its financial commitment to the obligations." Mr. Sugden gave GRT notes a negative outlook, with its reasons being similar to that of the matching funds bond downgrade.

Even so, Mr. Mapp said progress was being made, and that the government would eventually get to a point of self-sustainability relative to its finances. The governor also noted that the recent \$147 million working capital bond [that was recently floated](#), was not only to be used to sustain the government; some of the monies, he said, will be used to make much-needed repairs on both of the territory's hospitals.

"We will get there if we stay the course, if we find ways to infuse revenues into the coffers, if we manage our expenditures -- we will get there," Mr. Mapp said.

Feature Image: Limetree Bay employees near an oil storage tank. (Credit: G.V.I.)