The Virgin Islands Consortium

Nelson, Millin Young, Hansen, DeGraff And Roach Form Senate Minority

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ST. THOMAS -- Senators Positive Nelson, Janette Millin Young (Democrat), Alicia Hansen, newcomer Dwayne DeGraff and Tregenza Roach held at press conference at the Earl B. Ottley Legislative Hall on Friday to announce their minority caucus, which the group of five says was formed not as a force to oppose the majority or the governor's every move, but rather to introduce ideas that would spur growth and create opportunities in the territory.

Dubbed "The People's Force" in a release announcing the meeting, the group on Friday discussed a myriad of issues -- from the territory's financial condition, to Governor Kenneth Mapp's five-year economic growth "sin tax" measure that the governor says would bolster the bond market's confidence in the territory's bonds, and thereby unlocking an apparent freeze on lending to the Government of the Virgin Islands.

During a third meeting on Thursday between Governor Kenneth Mapp, members of his administration and the territory’s lawmakers — which was held at Government House here as a third effort by the governor to once more update senators on the dire state of the territory’s finances, as well as an attempt to convince lawmakers to pass his sin tax measure or something comparable — Finance Commissioner Valdamier Collens projected a shortfall of $60 million by the end of this fiscal year, starting with an $11 million shortfall at the end of January without a line of credit and working capital from the sale of bonds.

According to Government House, Mr. Collens described the situation as a “liquidity crisis.”

The news followed the downgrading of the territory’s Issuer Default Rating (IDR) and the ratings of the dedicated tax bonds issued by the Public Finance Authority on Tuesday by ratings firm Fitch, with the firm citing its increased concerns about the territory’s liquidity following its difficulty in securing market access for a planned working capital borrowing.

At the meeting, Mr. Mapp laid out to senators what must be done if the territory is to avoid serious austerity measures to maintain normal operations, according to Government House. The territory’s leader has again set forth his five-year economic growth plan, which he says is urgently required if the government is to convince those who invest in government bonds that the territory is serious about finally balancing its persistent, or structural, operating budget deficit.

The plan now before the Legislature proposes several areas of new or increased taxation, called sin taxes, which Mr. Mapp promotes as a means of getting visitors, primarily, to share the cost of maintaining the territory, while not increasing the cost of living for residents. The bill includes taxes on rum, tobacco, sugary drinks, internet purchases and even taxes on timeshare unit owners. Adoption of the plan’s components or other measures which generate the same revenues, Mr. Mapp says, is essential to winning the confidence of the bond market, which has shown an unwillingness to purchase the government’s bonds without greater assurances of fiscal responsibility and repayment.

The minority senators were not convinced that the governor's plan would allay investors' wariness with the territory's bonds, even if Mr. Mapp indicated that bondholders have said the measure represented a positive step forward that would trigger lending. Mrs. Millin Young said the governor should lead by example; he should use austerity with his own way of living, she suggested. Mr. Nelson, among other things, recommended legalizing marijuana, and Mrs. Hansen said the Senate should also take action on the vacant Senate seat.

Senator Roach has long been wary of approving bills that give bondholders more leverage over the territory's funds. In November 2016, he opposed a measure that noosed the territory to bondholders by placing a lien on all of the U.S.V.I.'s bonds -- including retroactively -- ensuring that bondholders would be paid first no matter what financial trouble the territory faces. The measure's approval meant that if the Virgin

Islands falters further into financial crisis, per its new lien commitment, it would not be able to pay, say, teachers, and other essential employees; it would not be able to do anything in the way of payments to its own government and essential services, unless bondholders were first financially satisfied.

The lien was to bolster the bond market's confidence in the territory's ability to pay its debt, according to Mapp administration officials. It was also supposed to positively impact the territory's bond ratings, but none of the above occurred. Instead, the U.S. Virgin Islands bonds were further downgraded as recently as this week.