

The Virgin Islands Consortium

V.I. Taxpayers Spend Near \$12 Million Every Year For 15 Senators And Staff

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ST. THOMAS -- With a 2017 budget of \$19 million, the Legislature of the Virgin Islands, with its 15 senators, has become an extremely costly branch of government even as the territory's financial condition has arrived at a [crisis point](#), according to Dept. of Finance Commissioner Valdamier Collens, and as the government is weighing ways to reduce its expenses while raising taxes on what Governor Kenneth Mapp has deemed "sin" products such as rum, beer, sugary beverages and tobacco. The government also wants to [tax internet purchases](#) and timeshare unit owners through the governor's five-year economic growth bill.

But while Virgin Islanders have voted through referendum in the past to reduce the amount of senators representing the territory from 15 to a more reasonable number of 9 or even 5 -- 2 to represent St. Croix, 2 to represent St. Thomas and 1 to represent St. John -- there's been virtually no movement and little talk on the matter. However, with the bond market refusing to open its coffers to the Virgin Islands, which is struggling with a structural deficit of about \$110 million -- and with Mr. Mapp talking about the possible halving of government services and the furloughing of employees -- USVI residents have revived talk of reducing the number of senators as a means of cutting costs.

According to Senate President Myron Jackson, the 32nd Legislature's 2017 budget is \$19 million. Out of that amount, \$11,970,000 goes directly to senators' offices annually, with the Senate president's office, followed by the At-Large seat, receiving the most dollars.

The 13 regular senators receive \$380,000 annually (or \$760,000 every two years) each for their offices, an amount that includes salaries of senators and employees, as well as travel and supplies, according to Mr. Jackson. The combined total for regular senators on an annual basis totals \$9,880,000. The At-Large seat receives an annual budget of \$475,000 (\$950,000 every two years), while the Senate president receives an annual appropriation from the \$19 million budget of \$570,000, or \$1,140,000 every two years.

The Consortium asked Mr. Jackson what were his thoughts on the passage of a referendum to reduce senators, and whether that was something he could support, but Mr. Jackson did not respond to the question.

He did explain, however, the mechanism through which senators receive their allotments.

"In regards to your inquiries pertaining to senatorial allotments, we must call attention to the actions of a majority of the members of the 26th Legislature of the Virgin Islands," Mr. Jackson wrote. "The formula for the public funds that we receive to perform legislative duties was revised as a result of Bill No. 26-0145, which was passed on September 23, 2005, and signed by the President on September 26, 2005. This action created the mechanism whereby all senators receive an equal base allotment. Bill No. 26-0145 became [Act No. 6792](#) on October 17, 2005. Act No. 6792 became effective on January 9, 2007."

Taxpayers spend near \$24 million every two years just to fund senators' offices, and a total of roughly \$38 million every two years to fund the Legislature (this includes the senators' allotments). But as lawmakers are meeting with Mr. Mapp, members of his administration and private sector officials in search for ways to grow revenue while cutting costs, missing in the discussion is the idea of cutbacks on the legislative branch of government.

Meanwhile, the territory's financial demise comes closer by the day. Mr. Collens has 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, something that becomes more difficult with every downgrade; ratings firm Fitch [last week downgraded two of the territory's bonds](#), while giving both a negative outlook. Other bonds, to include Gross Receipt Tax and Rum Cover-Over Bonds [are already at or near junk status](#).

Mr. Collens and Standard International Group financial consultant, Andre Wright, who advises the government, noted that even [statutory lien legislation](#), debt service guarantee funds, and an unblemished record of timely debt service payments have failed to attract enough buyers of VI Government bonds to bridge the current deficit. Moreover, First Bank has imposed new conditions on government access to its remaining line of credit, Government House says.

“A rejection of the identification of new and immediate revenues to the territory, particularly to satisfy the financial markets that we’re moving out of structural deficits, would be a decision equal to saying that we would be cutting 11 to 14 percent of the budget for the Government of the Virgin Islands,” said Mr. Mapp. “That \$110 million removal from the current budget of \$787 million, I am not prepared to stand before the community and say this is exactly what that means, but I do not believe that there could be any person in this territory that believes that the removal of \$110 million from the operating budget of the Government of the Virgin Islands, would not be an action that is painless.”

Ratings firm Fitch cited its increased concerns about the territory’s liquidity following its difficulty in securing market access for a planned working capital borrowing. Fitch says it believes the USVI’s failure to date in securing sufficient market access for their planned offering of \$219.23 million matching fund revenue bonds, series 2016A (senior lien) and 2016B (subordinate lien), raises concern regarding both the USVI’s ability to access financial markets for their debt offerings as well as the USVI’s ability to fund current operations and obligations from a severely strained cash position. Proceeds from the 2016A and 2016B bond offerings were to be applied to funding fiscal 2017 operations of the USVI in addition to other uses.

Fitch also highlighted the uncertain nature of the sin tax measure that Mr. Mapp said the bond market demanded before the U.S. Virgin Islands could gain access to funding. And while the governor said the bond market had reacted positively to the five-year economic growth plan measure — assuring residents that once the measure was passed, access to the market would be once more open to the territory — Fitch did not ascertain in its release that that was the case.

The ratings firm said the negative watch placed on the IDR and dedicated tax bonds will be resolved based on Fitch’s assessment of the USVI’s liquidity position and its ability to complete a working capital financing. Failure to sell the planned bonds and the increased liquidity strain that would result would be expected to trigger a rating downgrade.

Fitch further believes that the territory’s current challenge in accessing the market for its debt obligations exacerbates concerns about the USVI’s strained liquidity. The sale was originally planned for August 2016 to provide cash flow for the current fiscal year which began on Oct. 1, 2016. The extended delay in receiving the expected \$147 million in working capital that was to be provided by bond proceeds, \$116 million of which is to be applied to funding general government operations (out of the approximately \$900 million General Fund budget), is expected by Fitch to further weaken the government’s liquidity position in fiscal 2017.

The ratings firm also learned that investors have indicated an interest in the governor of the USVI delivering an irrevocable, rather than the annual, instruction letter to the U.S.

Department of Interior for the U.S. Treasury to remit the rum cover-over advance payment to the trustee for the bonds. The revised instruction letter has been delivered by the governor to the DOI, according to Fitch.

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