

The Virgin Islands Consortium

De Jongh Administration Borrowed Upwards Of \$800 Million, Collens Says

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ST. CROIX -- As the Government of the Virgin Islands reckons with its collapsing financial situation following the bond market's refusal to buy the territory's bonds, Dept. of Finance Commissioner and Public Finance Authority Executive Director Valdamier Collens -- who revealed to The Consortium in a wide-ranging interview on Wednesday night that Governor Kenneth Mapp will soon issue an executive order [authorizing deep cuts throughout government](#) -- looked back on a major reason why the government is in its current dilemma: The incessant borrowing by the de Jongh administration.

"In the last six years of the previous administration, they were able to amass upwards \$800 million in working capital. And so all that was happening is they were kicking the

can down the road. They kicked the can to the Mapp administration, now the Mapp administration, we've done everything that we could do to address the matter by doing some economic development initiatives with the [racinos](#), with [Limetree Bay](#) which, don't forget, the Limetree Bay transaction avoided us from going to the capital markets in 2016," Mr. Collens explained.

Because of the refusal of the bond market to lend its cash to the territory, the government was left with a \$110 million structural deficit that calls for deep cuts and restructuring throughout government.

The day of reckoning, then, is here. While Mr. Mapp was not clear during his State of the Territory Address on this matter (Mr. Collens argued that the governor was), Mr. Collens said the territory would not even attempt to access the market anytime soon, whether or not the 32nd Legislature passed the governor's proposed five-year economic recovery sin tax measure. And even if the measure were to become law, both the bond market and the government would wait up to a full year or more before restarting negotiations. The commissioner's words were a blunt and sobering acknowledgement that the financial collapse was no longer going to happen, but is now in play.

This means, Mr. Collens acknowledged, the furloughing of government employees, cutting back on government services, deep cuts in the budgets of all government departments and agencies, assessing positions within the government and searching for areas where excess and positions could be eliminated.

"We have to show investors that we are willing to look at new revenue enhancement measures, as well as [moderating] our expenditures. The thing is we have to realign and right-fit our budgets to ensure that this misalignment doesn't occur — because if you don't have access, well then you have to fix your budget," Mr. Collens said.

"If we are able to pass measures that investors will view as we are addressing our structural deficit, that would bode well to the investors, but they're not going to jump out tomorrow and say, 'Oh, come back to the market.' They're not going to do that," he added.

Mr. Collens likened the situation to people who lost their homes during the 2008 housing crisis and could not pay their mortgages. A wide swath of them had to foreclose on their homes.

"What that person does, they go through the foreclosure process, deleverage, fix their credit, and that takes a little bit of time. And then once all of that is corrected — which could take three months, six months, a year — that's when you can say, 'Okay, now I'm going to apply for a loan because I know the probability of a denial letter is low,'" Mr. Collens said. He said the government shouldn't be doing anything that is going to generate new revenue based on the market's decision to stop lending to the territory. "We should be doing it to correct the problems that we have and once that's done, and we feel like we have addressed a material amount of issues, it is at that point that we could then go back and approach the market for, say, capital projects, just to give you an example," Mr. Collens said.

Asked whether that meant government employee reductions, furloughing, 4-day work weeks, and cutbacks in government services, Mr. Collens said that was “absolutely” what was going to happen.

“A combination of all of what you said is on the table because the issue, and I want to be very clear, the issue is liquidity. Cash. Do you have cash to pay for expenses that are here today, and because we don’t have access to our line of credit, because we can’t go to the bond market and get access to working capital, we’ve got to fix these things and we’ve got to develop a stringent plan,” Mr. Collens said.