The Virgin Islands Consortium

# Plaskett May Have Identified Potential $100 Million Windfall In Lost Rum Cover-Over Revenues Owed To USVI By U.S. Treasury

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**Delegate to Congress Stacey Plaskett**

During meetings with federal officials last week to discuss issues related to the Virgin Islands, VI Delegate to Congress Stacey Plaskett raised the question of potentially identified miscalculations of the rum-cover revenue allocation to the territory, which may have shortchanged the Virgin Islands' general fund by as much as $100 Million, Ms. Plaskett's office announced Monday.

The announcement comes amid a fiscal collapse in the USVI, as the territory -- facing a $110 million deficit and no access to the bond market -- is being forced to cutback in a myriad of areas. Department of Finance Commissioner Valdamier Collens told The Consortium Wednesday that the Mapp administration was preparing furloughs, layoffs and deep cuts at government departments and agencies; Mr. Mapp later denied that he'd spoken to Mr. Collens about such actions.

“It’s not even an assumption anymore, we have to act in a way in which we don’t have access until we demonstrate to ourselves — not to the bond market — that we want to fix our structural deficit. So for starters we know $110 million is out of the budget, and so we have to act accordingly to adjust and revise our budget,” Mr. Collens said.

If the money is indeed owed to the territory, it would serve as a saving grace for the territory, as local leaders grapple with ways of offsetting the $110 million shortfall. Currently going through the legislative process is Mr. Mapp's sin tax measure, which introduces or increases taxes on products such as tobacco, rum, sugary drinks and beers. Taxes on timeshare unit owners and an internet sales tax are also part of the measure.

According to the release, Ms. Plaskett, who met with House Speaker Paul Ryan Tuesday to discuss the Virgin Islands financial condition, met later in the week with Department of Interior and Treasury Department officials to discuss federal government support of the local government’s effort to overcome its financial challenges. During the meeting, Ms. Plaskett highlighted research conducted by her office which uncovered the possibility that Virgin Islands rum cover-over revenues since the Diageo agreement may not have been properly adjusted to reflect the new production of rum in the Virgin Islands -- denying the territory of tens of millions of dollars over time, according to the release.

"My staff and I had a productive discussion with federal officials around the ongoing Virgin Islands financial crisis. The purpose of our meeting with those officials was to inform them that our office is willing to support and work aggressively on behalf of the people of the territory, and that we would be expecting the full shoulder of the Department of Interior followed by Treasury when a reasonable plan has been created and executed by the local government," Ms. Plaskett said.

"During those same meetings, I was also able to outline to Treasury our belief that the Virgin Islands had not received the accurate share of world wide rum excise tax cover over that we were owed."

According to the release, Ms. Plaskett explained that under the Caribbean Basin Initiative (CBI) of 1983, Congress provided both Puerto Rico and the Virgin Islands with additional cover-over of rum excise tax revenues derived from rum imported into the United States by other nations. The allocation of these additional cover-over revenues is apportioned according to the relative import of rum into the United States by Puerto Rico and the USVI. Treasury regulations provide that the Virgin Islands may earn between 12-49%, with Puerto Rico qualifying for approximately 51-88% (depending upon each territory’s respective local production percentages) of these additional worldwide rum excise tax revenues, she explained.

According to Securities and Exchange Commission filings by the Puerto Rican government, The Government Development Bank of Puerto Rico has indicated that Puerto Rico's percent of production fell to approximately 49% with the Virgin Islands' increase in rum production. The CBI allocation to the Virgin Islands, however, has not changed as contemplated by the law, resulting over time in nearly $100 million in lost revenues to the Virgin Islands. Ms. Plaskett formally requested that the production amounts be reviewed and, if it is in fact determined to be the case, the correct allocation of monies be given to the Virgin Islands as soon as possible.

"Our agreements with rum producers should afford the people of the Virgin Islands the largest percentages contemplated by the law to assist in job creation, and, more importantly, funds for the public good. It would appear, however, that the appropriate percentage has not been calculated and attributed to the Virgin Islands. The repercussions of the failure to calculate this ratio are so severe that the Government of the Virgin Islands may be due CBI allocations as high as $100 million. Given our current financial situation, these identified funds come at a time when our territory could truly use them," Ms. Plaskett concluded.

The second-term congresswoman said that her office will forward this information to the Mapp administration and the 32nd Legislature to allow them to continue to pursue the matter with United States Treasury.